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NOVEMBER 1983

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WHAT'S NEW IN

TRANSPORTATION & DISTRIBUTION EQUIPMENT

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The twelfth annual Ohio State survey of career patterns and job responsibilities in the distribution industry takes a revealing look at new trends that are shaping the profile of today's executives.

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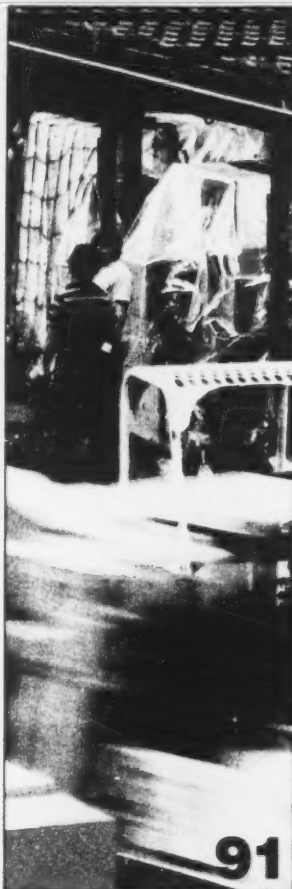
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DIALOGUE

ETHICS: A MATTER OF COURSE

In August we asked: "What are the key ethical problems you face?" Here are some of the problems and concerns that were quickly relayed back to us as part of a larger-than-usual outpouring. The returns have been broken down by the industries represented (for this topic only we asked that respondents not supply their names).

"At what point does the taking of gifts and/or services from the best and proven supplier become unethical? I'm talking about gifts 'within reason.' —Purchasing agent, intimate apparel, Tex.

"I face no ethical problems. I represent only my employer and base decisions on 'what is best for my company.' —Manager of distribution, paper, Ala.

"We draw the line on a gift that would be too much, or dealing with a carrier that offers a very high discount and has a poor reputation. —Shipping supervisor, paper, Ill.

"We seek the lowest possible rates commensurate with service requirements and regardless of freight terms. Company policy forbids gifts that exceed \$25. —Regional traffic manager, packaging, Ga.

"Should I discuss with a carrier representative the discounts of another carrier, even if that other carrier's discounts are published?" —Rate and route specialist, plastic, Tex.

"Common sense clearly dictates what is right and what is unethical. There is no grey area. —Rail analyst, chemical, Va.

"Frankly, I believe it is our lack of unethical actions that makes ours a 'preferred company' to do business with today. —Distribution analyst, petrochemicals, Okla.

"The company has a corporate code of conduct, and I am expected to comply. —Assistant transportation manager, chemical manufacturing, Ill.

"Where is the cutoff point between a gift and a bribe?" —Zone distribution manager, chemical manufacturer, Oh.

"While the recession has toned down carrier entertainment, the same recession has brought about extravagant discounting by carriers with consistently poor operating ratios. Ethically, to use these carriers for short-term gains leads to their long-term demise. —Traffic manager, candy manufacturing, Oh.

"My key ethical problem is keeping relationships with motor carrier personnel on a strictly business nature, and not letting lunch or entertainment influence carrier selection. —Transportation coordinator, beverage, Va.

"Cronyism between carriers and dispatchers or coordinators can become a problem. —General transportation manager, food manufacturing, Mass.

(continued on page 8)

QUESTION OF THE MONTH

"Don't look back, they might be gainin' on ya," said baseball philosopher and pitcher Sachel Paige about competitors, old age and just about everything else.

This philosophy seems to be losing its followers, at least those in the distribution industry. Judging from the program at this year's meeting of the National Council of Physical Distribution Management, more and more emphasis is being put on measuring your own performance as well as your competitors'. Management certainly wants to know who is gaining on the company, and wise distribution managers are looking back, if only to see if management is peering over their shoulders.

But what is the best way to measure just how well transportation and distribution departments are doing?

Should transportation and distribution just be measured as a cost center? Or, should they be measured in terms of contribution to profit?

Every company has its own way of measuring the performance of transportation and distribution. But often these methods depend more on habit than good sense.

Tell us how your department is measured on our Dialogue card, and we'll tell you how you measure up to the competition. And maybe you'll get some ideas about how to convince your management of the true value and performance of your department. □

SURVEY RESULTS

From your responses to our August questions about ethics, it became quite apparent that those who work for companies with a code of ethics find those codes realistic and functional; 93 percent had no complaints. In those companies that don't have a code of ethics for their distribution and transportation departments, 72 percent said a code isn't needed to maintain ethical standards; 27 percent agreed that a code could be helpful.

QUESTION OF ETHICS

My department has a code of ethics	52%
Does not have a code	42%
Carrier gifts and entertainment are too extravagant	26%
Are not too extravagant	74%
Gifts influence my decisions	10%
Do not influence my decisions	90%
I am forced to seek unfair discounts and rebates	7%
I am not forced to seek unfair discounts or rebates	93%
I have been offered what I could consider a bribe	41%
I have not been offered a bribe	58%

TO THE EDITOR

Jean V. Strickland's column in the August issue (p. 22) did a fine job stating the case for favorable consideration of federal excise tax relief for piggyback trailers.

I think it is important that your readers understand that Transamerica Interway has for some time been in the forefront of the effort to bring equity to the piggyback excise tax situation. Several years ago, in connection with the Federal Highway Cost Allocation Study, we submitted an exhaustive comment which argued that piggyback trailers are entitled to relief from excise tax. And that argument, apparently, was successful: the Department of Transportation's final report on the issue said that "consideration should be given to relieving truck trailers that are manufactured for use as piggyback trailers from the new excise tax."

Having made the case for the exemption, we were then concerned when Congress not only proposed not to give piggyback trailers an exemption, but also added insult to injury by giving one to the RoadRailer, which, apparently, has no better case to make.

I don't believe, therefore, that our position should be characterized as one of sour grapes. It is, in our view, more appropriately labeled an equity argument. Congress should treat both the RoadRailer and the piggyback trailer the same, because they both use the highways to the same extent. Indeed, we have found that this equity argument carries considerable weight with Senate and House members.

I would also like to mention that the list of supporters for our position is growing. Xtra and Brae are two trailer leasing companies that have recently joined in support. While the Association of American Railroads is not actively supporting the bills for the reasons your article cited, I can say that individual railroad support is growing. Most notably, the Burlington Northern and the Southern Pacific are actively supporting the exemption. I am confident that by the time of the Senate hearing the list of railroad supporters will have expanded even further.

Dennis J. Kenny
Vice President & General Counsel
Transamerica Interway, Inc.

continued from page 7

"Problem: buying the business with weekend golf and fishing trips, expensive gifts or under-the-table cash."—Traffic manager, food manufacturing, Pa.

"Concern: whether it is ethical, considering their past practices on the other side of the fence, to whipsaw carriers with rates to the point where they lose."—Distribution and warehouse manager, food manufacturer, N.J.

"My company has a clear and comprehensive conflict-of-interest policy. Employees are periodically reviewed, and a written response by the employee is required."—Assistant traffic manager, tobacco products, Va.

"When in doubt, don't. Carrier gifts or entertainment beyond lunch have to leave you obligated. I feel my employer pays me to do my job—not a carrier."—Traffic manager, flour mill, Oh.

"My firm has preached ethics for many years. We have earned the respect of transportation people to the point where ethics is now neither a problem nor a temptation."—District traffic manager, grain processing, Iowa.

"Most of our carriers realize that our industry will not tolerate dishonesty or unethical behavior."—Traffic manager, winery, Calif.

"I will not allow the purchase of transportation through a backdoor policy. If a carrier does this, it is out. If the carrier can buy freight, it should do so through tariff applications."—General manager of traffic and transportation, corn milling, Iowa.

"My company's interest comes first. I would not do anything that would be embarrassing either my company or myself."—Traffic manager, retailer, Mo.

"Since deregulation, carriers have become very aggressive in offering lavish entertainment and gifts. Sometimes it's been very hard to refuse. Carriers must be reminded to keep matters on a business level."—Traffic manager, retail, Ill.

"One problem is watching some others not comply with our code. Also, management often succumbs to carrier offers and allows open disregard for the code."—Senior transportation analyst, automotive parts distribution, Mich.

"Carriers that have tried to 'buy' their way in have been refused and locked out."—Physical distribution manager, dry goods, Calif.

"Problem: being offered kickbacks by sales reps working on commission."—Traffic manager, retail, Ill.

"Concern: the practice of vendors adding freight costs to their invoice. Are the charges valid and accurate?"—Distribution superintendent, publications, Miss.

"Concern: whether to accept freely offered discounts or commodity rates which, in our opinion, will cause the carrier to lose money and, perhaps, go out of business."—Assistant traffic manager, rubber/plastic housewares, Oh.

"I worry about the personnel under me and shipping and receiving personnel taking gifts or money for freight."—Traffic manager, truck manufacturing plant, Oh.

"Problem: carriers that request copies of, or tariff numbers of, competitors so they can match rates. Do I then become a conduit between competitors fixing rates?"—Traffic manager, lighting fixtures manufacturer, Wis.

"My goal is to obtain the best freight and customer service cost available, and I see no conflict of interests."—Distribution manager, furniture, Wis.

"Problem: the perception of peers in my own company that all carriers are crooks, and that I'm probably on the take because I work closely with them."—Distribution trainer, office products, N.J.

"Problem: trying to remain honest in the face of a 'who cares' attitude."—Vice president/general manager, public warehouse, N.Y.

"Problem: trying to keep large and small common carriers alive. A few large carriers offer large discounts and extravagant entertainment that serve to defeat this purpose."—Traffic manager, doors and frames manufacturer, Mass.

FORECAST

BY DR. RICHARD LANCIONI

WHO SHOULD WE BELIEVE?

There is no doubt that the current recovery is one the longest and most stable growth periods the economy has experienced in the last 10 years. Inflation has increased at a level below 5 percent for much of the year; interest rates have moderated with the prime rate averaging 11.5 percent; and employment has gradually declined to below 10 percent.

With all of this positive news, one would expect uniformity as to what the future holds, but this doesn't seem to be the case. The Conference Board's latest reports show consumer confidence remaining high with its index reaching 83.9 through September.

The Board's consumer buying plans index also rose to a new yearly high of 108.6. Consumer plans to buy automobiles increased to 8.6 percent; home-buying by 3.7 percent; and plans to buy major appliances by 29.9 percent. These recent increases reflect the continued confidence of consumers.

In contrast, in a recent meeting of the Business Council where the nation's business leaders discussed the future of the economy, the view was mixed. The heads of the major railroads were optimistic about the future, whereas the heads of some of the major corporations (FMC, TRW, Bechtel Industries) tended to be cautious and wary about the future. Much of the pessimism was focused on the uncertain status of the international debt crisis and the looming high deficits resulting from the spending policies of the federal government.

The third group to express its opinion about the economy was the government economists. As usual, they forecast continued recovery but this time they predicted only moderate growth for 1984. Whom should one believe? As one distribution manager stated, "The only people I believe about the future of the economy are our customers. If they are confident about their own outlook then they place orders. If they are not, then our business drops off. It is as simple as that." □

DISTRIBUTION INDEX FORECAST INDICATORS

	Oct.83	Nov.83	Dec.83	Point change from Previous Period
Truck Shipments:	122.1	124.6	124.9	+0.3
Rail Shipments:	113.6	114.9	115.1	+0.2
Air Shipments:	119.7	121.2	121.2	+1.6
Water Shipments:	109.6	111.3	112.1	+0.8
Whse Space Utilization:	119.4	122.8	123.4	+0.6
Inventory Valuation:	105.9	106.3	107.9	+1.6
Cumulative Index:	118.8	120.9	121.5	+0.6

The Distribution Index for November shows more modest increases in all areas of the Distribution sector. If these expectations prove to be correct, the recovery is not continuing at its earlier robust levels. This leveling off seems to be most apparent in rail and truck shipments, which should be experiencing a seasonal spurt. Truck shipments rose to 124.6 through November and are expected to rise by only 0.3 points through December, to 124.9. Rail shipments are also expected to rise by a small amount, during the last part of 1984, to 115.1 through December. The largest single increase in the Index is for Air shipments which will increase by 1.6 points to the 122.8 level through December. The strong showing in the air sector suggests that shippers are still being cautious about inventory build ups. Water shipments are expected to increase by 0.8 points for the last quarter. Inventory valuation, the most sensitive indicator of possible inflationary changes is expected to reach the 107.9 index level through December reflecting the modest pressure on prices.

TRANSPORTATION INDICATORS—

Monthly/Quarterly Trends

Diesel Fuel Prices (Cents per Gallon/Average) (Interstate Commerce Commission)

Aug.83	Sep.83	Oct.83	Jan.84 (Forecast)
1.227	1.229	1.229	1.25

Dow Jones Transportation Index (Index Point Closing) (Wall Street Journal)

Sep.15	Oct. 1	Oct. 17	Jan.84 (Forecast)
563.4	560.3	591.6	624.4

Rail Freight Traffic (Billions of Ton Miles)

1st qtr.	2nd qtr.	3rd qtr 83.	3rd qtr. 82
195.4	401.7	562.1	563.7

Carriers and shippers face a somewhat uncertain future in regard to diesel fuel prices during the next few months. Prices have been creeping up since mid-summer, and in recent weeks about one cent has been added to the price of fuel tracked by the Interstate Commerce Commission. Prices are expected to increase more in the last quarter of 1983, and perhaps even more as winter really gets started. Prices will continue to increase gradually as demand turns up later in the winter, when diesel fuel and heating fuel are both in greater demand. Investor confidence in the transportation industry continues to remain at high levels with the transportation index remaining in the 570 to 590 range for most of the last quarter of 1983. This indicator shown continues to reflect expectations of more freight movements and higher rate levels approximately six months in the future. The transportation index will easily jump into the 600s by year's end, and would probably reach these levels sooner if financial uneasiness in the airline sector had not scared off investors who see transportation stocks as good earnings candidates. Rail tonnage continues to improve to the point it should match or exceed 1982 figures.

DISTRIBUTION CAREERS 1983

By BERNARD J. LA LONDE, PH.D., Riley Professor of Marketing and Logistics,
and DAVID E. LLOYD, Research Associate, both of The Ohio State University

In each of the past twelve years, the Logistics Research Group at the Ohio State University has conducted a survey of the career patterns of distribution executives in U.S. firms. Originally this study sought to answer basic questions on the background, training, work experience and demographic characteristics of those executives. However, in recent years the survey has expanded in scope to include trend analysis of the attitudes and opinions of distribution executives as well.

Specifically, the 1983 survey sought to find answers to the following basic questions:

1. How is the distribution function organized?
2. What are the primary responsibilities for the distribution executive?
3. Who is the distribution executive?—A demographic profile.
4. How does the distribution executive perceive the future?

The data utilized in this study were obtained from a detailed four-page questionnaire mailed to 567 members of the National Council of Physical Distribution Management (NCPDM) during the summer of 1983. A concerted effort was made to achieve a sample balanced both on industry and geographic bases. In cases where two or more NCPDM members were listed within the same company, the survey was sent to the executive with the higher perceived position. The 171 questionnaires returned represented a response rate of 31.2 percent.

The questionnaires were coded, keypunched and analyzed using the computer facilities of the Ohio State University. Tabulation of the results involved utilizing standard two-variable cross-tabulations and summary statistics, and the summary results are reported in the body and tables of this report.

Every effort was made to classify accurately the open-ended survey responses and to interpret multiple job title classifications meaningfully. The responses to this year's survey indicated that a multitude of descriptive distribution job titles still exist for the key distribution executive. However, because the primary objective of this research has been to provide trend analysis of broad classifications, the authors still believe that the best analysis of the data continues to be one which uses the three broad managerial classifications of manager, director, and vice president.

The reader will note that in the discussion and tables, comparisons are made with survey findings from earlier years. Caution should be exercised when generalizing or interpreting year-to-year comparisons, because the returned questionnaires are anonymous and there is no way, given the research design, to ensure that the respondents are identical on a year-to-year basis.

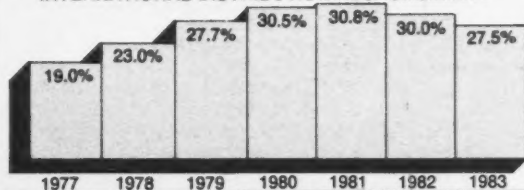
TIME EXPENDITURES ON DISTRIBUTION AND NON-DISTRIBUTION RELATED ACTIVITIES

DIRECTORS—1983	
DISTRIBUTION 69.2%	NON-DISTRIBUTION 30.6%
Traffic 15.3%	Marketing 9.0%
Inventory 7.5%	Production 8.4%
Warehousing 10.8%	Data processing 6.4%
Other processing 5.9%	Finance 4.9%
General administration 14.0%	Other 2.1%
Other 15.7%	

VICE PRESIDENTS—1983	
DISTRIBUTION 62.2%	NON-DISTRIBUTION (33%)
Traffic 11.3%	Marketing 12.6%
Warehousing 12.4%	Production 9.0%
Inventory 7.2%	Data processing 7.2%
Purchasing 3.6%	Finance 5.7%
Other processing 5.5%	Other 3.3%
General administration 10.9%	
Other 11.3%	

MANAGERS—1983	
DISTRIBUTION 68.3%	NON-DISTRIBUTION 31.7%
Traffic 17.5%	Marketing 8.9%
Warehousing 10.8%	Production 9.7%
Inventory 5.9%	Data processing 6.8%
Other processing 4.2%	Finance 4.8%
Plant & warehouse 3.4%	Other 1.5%
International 5.3%	
General administration 13.4%	
Other 7.7%	

PERCENT OF DISTRIBUTION EXECUTIVES WITH FULL INTERNATIONAL DISTRIBUTION RESPONSIBILITY

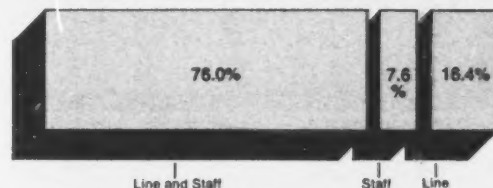


WHAT ARE THE PRIMARY RESPONSIBILITIES OF THE DISTRIBUTION EXECUTIVE?

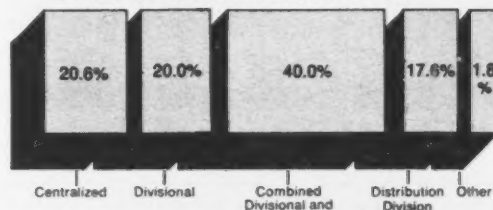
The tables that respond to this question are Tables 6-9. The primary trends in specific responsibilities of the distribution executives have indicated a gradual shift from a narrow traffic and warehousing responsibility to a broader range of responsibility both within and outside the distribution area.

- Distribution executives spend approximately 30 percent of their time outside the distribution function. About 60 percent of the time spent outside of the function is spent interacting with the marketing and production areas.
- Since deregulation, we find distribution executives are spending more time on traffic management. Managers continue to spend approximately 30 percent of their total time in the transportation and warehousing areas, whereas directors and vice presidents spend 25 and 30 percent respectively.
- The amount of time spent at all levels in "General Administration" has gradually risen over the past five years.
- Distribution executives at all levels now are spending approximately 20 percent of their non-distribution time interacting with data processing.

ORGANIZATION RESPONSIBILITY



CORPORATE ORGANIZATION—1983



REPORTING RELATIONSHIPS

VICE PRESIDENT	Functional V.P.	20.6%
	Senior (Group) V.P.	26.5%
	President	52.9%

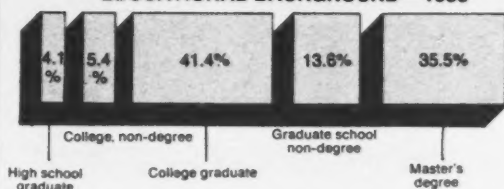
DIRECTORS	Other Directors	11.0%
	Vice President (75.6%)	
	Senior (Group) Vice President	6.1%
	President	7.3%
MANAGERS	Other Managers	7.3%
	Directors	58.2%
	Vice President	27.2%
	President	7.3%

Production/Operations	36%
Marketing/Sales	6.1%
Materials Management	2.4%
Administrative/Corporate	12.2%
Distribution	11.0%
Other	4.8%
Marketing	5.5%
Physical Distribution	20.2%
Manufacturing	14.5%
Materials Management	9.1%
Other	8.9%
Administrative/Physical Distribution	3.6%
Marketing	10.9%
Manufacturing	3.6%
Materials Management	3.6%

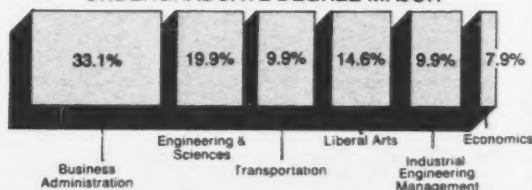
HOW IS THE DISTRIBUTION FUNCTION ORGANIZED?

During the past six years there has been some evidence of stability in primary organizational format of the distribution function. Approximately 80 percent of the respondents report both line and staff responsibility. On the specific positioning of the distribution function, 40 percent of the respondents report a combined centralized and divisional organization. Of the remaining respondents, approximately 20 percent report a divisional organization, 21 percent a centralized organization, and 18 percent a separate distribution division. The results show an apparent stabilization of the divisional format at the 20 percent level, while organization as a separate distribution division is increasing. During the past several years there have been some shifts in the evolving patterns of organizational relationships. Specific shifts are difficult to identify, but the findings seem to suggest that the distribution function is being linked with pre-production activities (purchasing, production planning, etc.) and a new form of total material flow organizational format is emerging. Evidence for this trend is also supported by a tendency for those executives reporting to a functional vice president to report to an operations function.

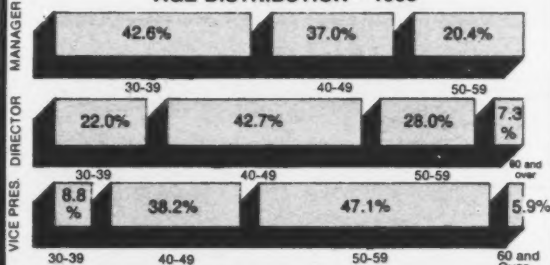
EDUCATIONAL BACKGROUND—1983



UNDERGRADUATE DEGREE MAJOR



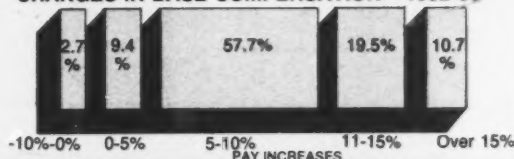
AGE DISTRIBUTION—1983



AVERAGE COMPENSATION—1983

	Manager	Director	Vice President
Top quarter	\$67,920	\$79,800	\$125,500
Second quarter	\$53,600	\$61,600	\$91,100
Third quarter	\$41,900	\$52,500	\$73,300
Lowest quarter	\$33,900	\$40,400	\$53,100
Average	\$49,300	\$58,500	\$85,600

CHANGES IN BASE COMPENSATION—1982-83



WHO IS THE DISTRIBUTION EXECUTIVE?

The age distribution of P.D. executives has held to the same general patterns in recent years, although the average age is increasing. The dominant age category for managers is 30-39; for directors, it is 40-49; and for vice presidents, the 50-59 age bracket.

The educational profile of the distribution executive saw only some random sample variations from the previous year. Emphasis is still on the college educated executive, as 96 percent of this year's respondents had at least some college and 91 percent had a college degree or more. Approximately half of the P.D. executives reported post-graduate work, with 36 percent reporting a master's degree or higher.

Average compensation levels for 1983, and increases in compensation levels for the 1983 period, are presented. Although the average increase in compensation was 10 percent, not all positions participated equally. While average salary levels increased for managers and vice presidents, the directors' average salary level was slightly lower than in 1982. For the first time, 3 percent of the executives surveyed reported reductions in compensation levels in 1983.

EDUCATIONAL NEEDS—1983

Area	First Choice	Second Choice
Finance	24.7%	17.5%
Data Processing, Simulation, Models	32.7%	24.6%
General Management	19.3%	9.9%
Marketing	8.8%	13.5%
Legal Environment	2.3%	1.8%

What are the major factors which will influence the growth and development of the corporate distribution function during the next decade?

Factor	Most Important	2nd. Most Important
Identification and control of distribution costs	22.8%	9.8%
Impact of deregulation	12.3%	11.0%
The economy	14.2%	13.5%
Utilization of computer based information systems	14.8%	15.5%
Customer service	14.2%	23.2%
Increased management knowledge and involvement	6.2%	9.0%

HOW DOES THE DISTRIBUTION EXECUTIVE PERCEIVE THE FUTURE?

The tables that relate to this question are Tables 15-17. This year, as in past years, respondents were asked, "If you were offered an opportunity to return to school in the near future for three months and could take a custom-designed curriculum, what kinds of things would you study?" For the first time since 1973, the financial area was not the dominant area. The trend noted last year has been realized and the data processing, simulation and modeling area has become the dominant preference for both first and second choice. The financial area continues to be important and upward trends are noted in both the general management and marketing areas.

The respondents were then asked to "identify the major factors which will influence the growth and development of the corporate distribution function during the next decade." Their summary responses are presented in Table 16.

In the 1983 survey, a number of significant changes occurred in this area:

- The respondents continue to rank their ability to identify and control distribution costs as a key variable in the future of the distribution function. Note also the growing importance of customer service.
 - The pattern of response indicates a global view of the distribution process. While external factors (deregulation and the economy) continue to be important environmental factors, the distribution executive appears to now see the need to focus on internal factors (distribution costs, customer service, information systems and management emphasis) as well.
 - The respondents also continued to be concerned about the application of MIS concepts and data processing technology to the logistics function.
- The respondents were then asked to share their attitudes concerning a number of logistical statements (Table 17). The findings have included:
- 89 percent of the respondents noted that distribution is a more important corporate function than it was five years ago.
 - 92 percent agreed that more specific goals had been developed for the distribution function in their firms over the past five years.
 - 90 percent agreed that the computer is the key to better productivity in their firms.
 - 89 percent agreed that the planning process has assumed more importance in the distribution function in their firms during the past five years.
 - 84 percent of the respondents believed that deregulation will lower the costs of transportation.

STUDY IMPLICATIONS

Because the study has now been conducted annually for the past twelve years, it might be appropriate to identify the primary changes that have occurred in the distribution function over the past decade.

Positioning of the P.D. Function

- Over the past ten years there has been a shift from positioning the distribution function as a staff function to a line function or combination staff/line function.

- The number of respondents representing director or vice-presidential levels has more than doubled since the early 1970s. These shifts reflect an upward repositioning of the chief distribution executive of the firm.

Primary Responsibility of the Distribution Executive

- In the early 1970s the typical distribution executive was largely concerned with a narrow range of activity—usually transportation and warehousing. By the early '80s, the P.D. function had been expanded to include activities ranging from forecasting to order processing.

- A corollary to the broadening of the P.D. function has been a shift in the "outer directed" focus of the distribution executive. That is, the distribution executive of the 1980s is spending a significantly larger share of the day interacting with the marketing, production, finance and data processing functions.

Future Directions

For the past three years there has been evidence of a growing interest on the part of the distribution executives toward more of a "management science"-oriented approach to management. This interest surfaces in a number of different ways.

- For the first time, "finance" was not identified as the most important learning need. First place in both the primary and secondary categories went to the general area of "data processing, simulation and models."

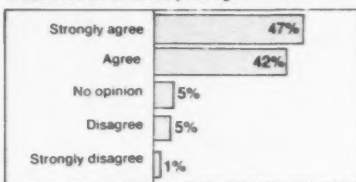
- There is continued evidence that an increasing number of firms are attempting to integrate the material flow process. That is, the organization and coordination of raw material, work-in-process and finished goods are being more closely integrated.

- During the first 10 years of the survey, the common complaint by many managers was that their senior corporate management "did not understand or appreciate" the corporate role of the P.D. function.

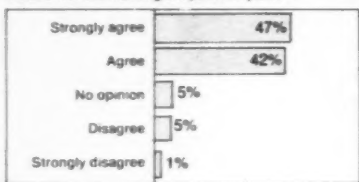
The survey evidence indicates that the direction of change has reversed in many respondent firms. Change has started to come from the "top down" rather than the "bottom up." If indeed this finding is confirmed, it means that pressure for change will come from senior management and that the speed of change in the distribution/logistics function will increase. ■

DISTRIBUTION LOOKS AT ITSELF AND ITS FUTURE

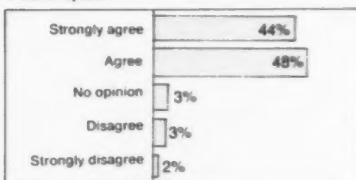
Distribution is considered a more important function in our firm than it was five years ago



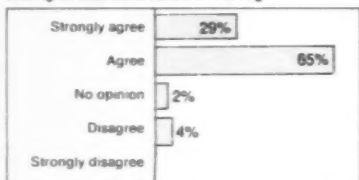
The distribution planning process has assumed more importance in our firm in the operation of the distribution function during the past five years



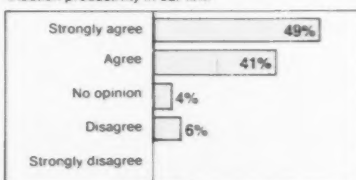
In the past five years we have developed more specific goals and standards for the operation of our distribution system



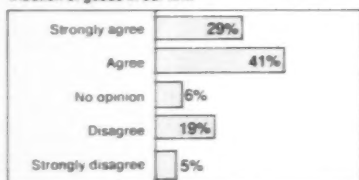
In the 1980's, more firms will use inventory carrying costing for distribution decision-making



Better use of the computer is the key to improved distribution productivity in our firm

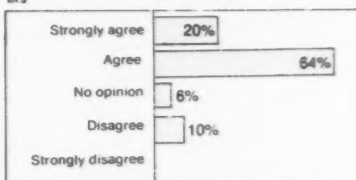


Deregulation is having a significant impact on the distribution of goods in our firm

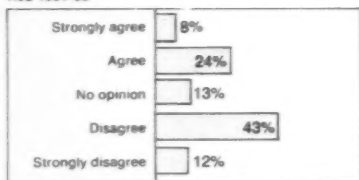


DISTRIBUTION LOOKS AT ITS PLANS AND OBJECTIVES

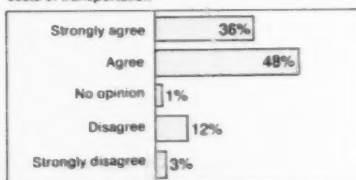
In the 1980's, most firms will maintain higher customer service levels for key accounts than for other customers



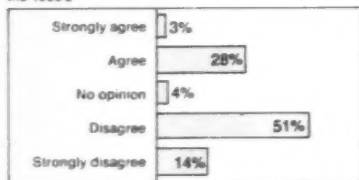
Given the current and forecasted economic climate, we will use more private carriage capability in the period 1981-86



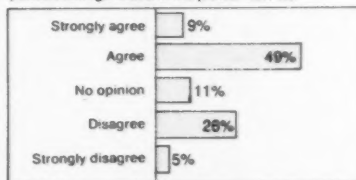
Deregulation of the transportation system will lower costs of transportation



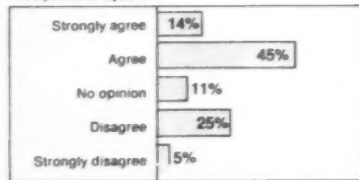
In the face of sharply increased costs, customer service levels will be lowered by most business firms in the 1980's



Given the current and forecasted economic climate, we will use more public warehousing to meet any expanded storage needs in the period 1981-86



Deregulation will improve service levels in the U.S. transportation system



Chilton's

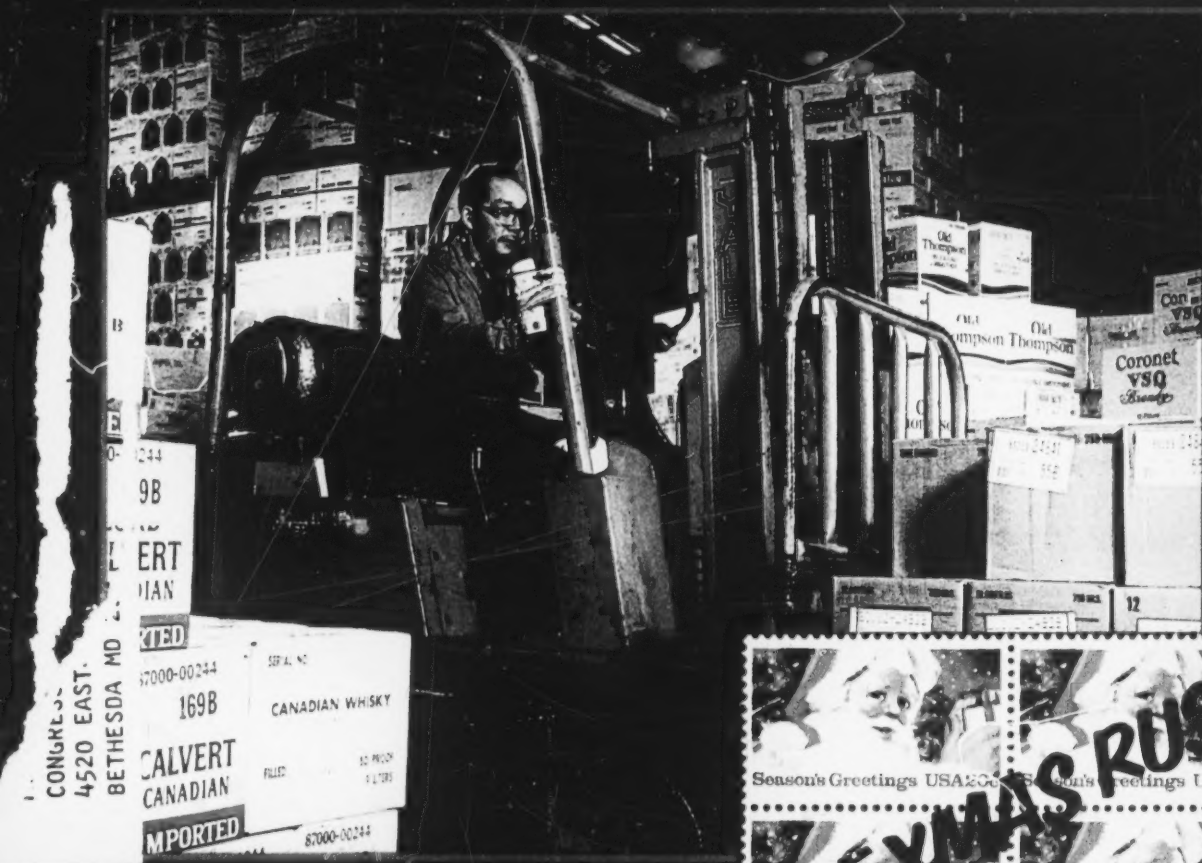
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FOR TRAFFIC & TRANSPORTATION DECISION MAKERS

4TH ANNUAL DAMAGED DELIVERIES

C2150-1A



CHOOSING AND USING PUBLIC WAREHOUSES

DO HEADHUNTERS HAVE YOU IN THEIR SIGHTS?

HOW TO GIVE YOURSELF A WORLD OF CREDIT

1983 DISTRIBUTION INDEX

Chilton's

DISTRIBUTION

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ESTABLISHED 1901 AS THE TEAMSTER

CLIFF MITCHELL, CIRCULATION MANAGER

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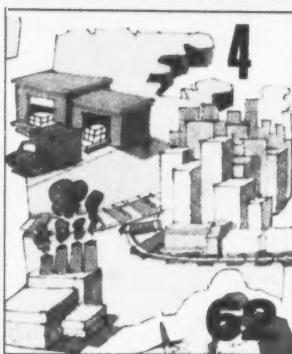
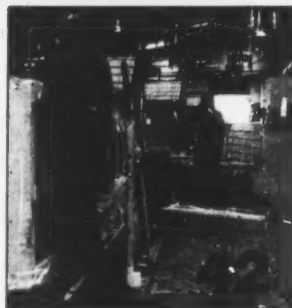
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Forget those stories about eight tiny reindeer—delivering the goods in time for Christmas is a much more burdensome chore.

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On the Cover: Picking a public warehouse should be done as carefully as picking a carton of fine wine off the racks. This month's issue provides some tips. Photo provided by Leaseway Transportation.

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DIALOGUE

AN ENDLESS DATA PROCESS

Readers had plenty of input after we posed some questions in September about their current feelings on computerization, and about their current data processing informational needs:

"Computers for traffic and distribution are not the future—they are the now! Traffic and distribution managers should begin to give this area visibility, or they'll risk getting left behind."—**Duane J. Schnee, Hyland Therapeutics, Glendale, Calif.**

"We want to maintain state-of-the-art operations through our software, without duplicating industry efforts."—**Robert F. Vensel, Digital Equipment, Marlboro, Mass.**

"Routing, rating and freight payment systems that work would be of interest. Exceptions cause problems because our current systems can't deal with them effectively."—**S. Albright, traffic services supervisor, Louisville, Ky.**

"I desire very specific management reports from the information contained in the bill of lading, freight bill and delivery reports. Any articles, 'help' columns, comparisons, etc., would help."—**R.J. Marshall, traffic manager, Duraco Products, Streamwood, Ill.**

"I need information about freight consolidation that combines LTL shipments into TL shipments to generate transportation savings."—**M.J. Gardner, general manager, Distribution Centers, Cincinnati.**

"We ship prepaid-and-add to customer invoices, often shipping via pool shipments of common carriers. We want to link actual costs billed to customers with our freight schedule."—**T.J. Gorman, distribution manager, Golden West Foods, Bedford, Va.**

"Deregulation has put the focus on transportation. Sophisticated computer applications are the only way to keep your head above water without a supporting cast of thousands."—**J.D. Webb, A.E. Staley Manufacturing Co., Decatur, Ill.**

"Systems cost in our company versus other companies—are we getting full value?"—**Leland A. Chase, Agrico Chemical Co., Tulsa.**

"We will sell no software for transportation/distribution before its time" is an idea that's dying fast."—**Greg Chalkey, Texas Instruments Inc., Dallas.**

"We need to update and fully computerize our order entry and shipping system."—**Barbara Pmard, GTE Prods., Manchester, N.H.**

"We need software programs for traffic rather than always for accounting. We really need traffic and distribution software that will relate."—**W.J. Putnam, F. Korgel & Brothers, Guerneville, Calif.**

"Software services are expanding too rapidly. I prefer to wait for established program packages that offer all services."—**John Slekis, senior buyer, Jet Spray Corp., Norwood, Mass.**

QUESTION OF THE MONTH

It's hardly like getting your milk and eggs at a Seven-Eleven instead of at the A&P; nonetheless, "supermarket service" has emerged as the most popular term whenever the talk has turned to how carriers are now free to build themselves into multi-modal entities that offer "one-stop shopping" to shippers of all sorts.

And, to be sure, some carriers have already made moves that have added credence to the case for "megacarrier mania," and regulatory agencies have been glad to give them helpful pushes.

But while we can see there's no shortage of terms to describe this new phenomenon, and that there's also some hard evidence that it is indeed becoming a trend, we wonder just how far this supercarrier thing really has come thus far. More importantly, we wonder just how much further it can go.

That's because the biggest question with regard to supercarriers is one that, we think, has still gone largely unresolved. And that question is a simple one: Do shippers really want this type of freight marketing option?

Sure, it's easy to say that supercarriers can make a shipper's life a lot easier. But stop to think for a second. Do you really think the carriers you know are capable of expanding beyond the modes in which they've established their businesses? And if they do, would you really see any cost- or time-saving opportunities associated with the resulting supercarrier set-ups, or would it still boil down to dealing with a bunch of single-mode companies that happen to be sheltered under the same corporate umbrella?

We wonder if shippers really have taken the time to think out all the implications of supercarrier mania. If you haven't, this month's Dialogue card (p.101) gives you a chance to sort out your feelings on the subject and give the entire distribution world a clear idea of where shippers stand on whatever it is we want to call it. Then we'll all have some solid data to work with the next time the subject of milk, eggs and freight comes up.

IT'S COMPUTERIZED

Order entry	72%
Freight payment	37%
B/L	31%
Warehouse management	31%
Routing	26%
Budgeting	24%
Transportation costing	22%
Rating	22%
Auditing	20%
Tracing	19%
International documentation	19%
Fleet management	17%
Site location	6%

HEADHUNTERS LEAD YOU THROUGH THE JUNGLE

Like Tarzans of the Jungle, some people seem to swing from promotion to promotion on a gilded vine. Others just ape the swingers, but never really get anywhere. Are you Tarzan of the Jungle, or more like Tarzan the Ape Man?

By Nancy Entwisle, Associate Editor

Are you making the right moves toward a successful career? If you're not sure—or even if you think you are—you might want to see how you stack up against the experts' checklist.

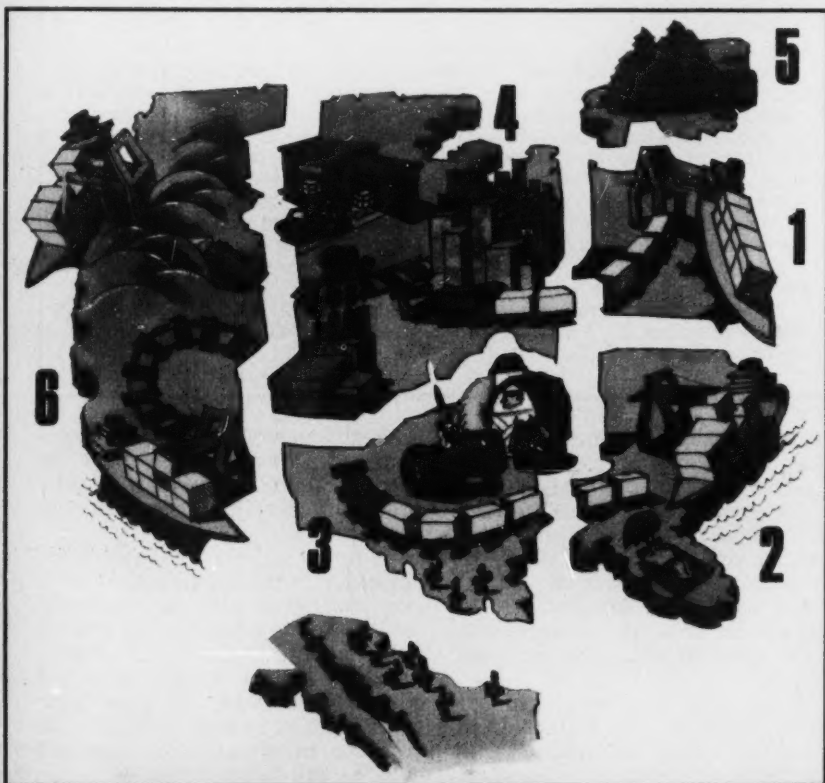
Using a list from the National

Council of Physical Distribution Management's 1983 Executive Placement newaletter, *DISTRIBUTION* surveyed headhunters from all over the country. As you peruse their responses, keep in mind that the results presented here reflect a *composite* of the surveys that were

returned. By no means is this intended as the final word on how to be successful.

Also, keep in mind that the results reported here refer to people in middle-management positions. As you will see, many of the numbers and rankings are qualified by statements that were written into the surveys. All charts are explained by their captions and will not be repeated in the body of this article.

The numbers on the map below indicate the degree of demand for transportation/distribution people in the six regions (Mid-Atlantic, South, Southwest, Midwest, Northeast, West). Contrary to popular belief, the Mid-Atlantic region has the highest demand.



Bottom of the Barrel

Our survey results begin with some bad news: Among the major corporate and administrative functions, headhunters feel physical distribution still ranks fifth (last) overall in terms of career growth potential. Sales/marketing made the top of the chart, followed by production, finance/accounting, and purchasing/procurement/materials management.

The headhunters feel a graduate degree is the most important kind of training an upwardly mobile transportation/distribution person can have. Distribution-oriented seminars rank second, and obtaining distribution-type certificates ranks third. If you're going to get a certificate, the CM-AST&T (Certified Member-American Society of Traffic and Transportation) is the one to get. Following that are credentials from the ICC Practitioner (now Transportation Practitioner) and CCP (Certified Claims Professional) organizations.

Here is some interesting news: A majority of the respondents said they see definite evidence that older, less educated (but more experienced) managers are being forced out and replaced by younger, bet-

ter-educated (but less experienced) people. But nearly as many said they don't see this happening at all.

This was a close one, so you older folks probably don't have anything to worry about. The feeling seems to be it's the experience that counts.

Membership in industry-related trade associations ranked fourth among the kinds of activities deemed important. Non-distribution-oriented seminars (general business courses, for example) ranked fifth, and no extra training/activities (experience *only*) came in last at sixth place.

If you are a woman, your career opportunities in distribution are worse, relative to other fields, merely because of your gender. At least that's what most of our surveyed headhunters said. A handful said your chances for growth are better, or qualified their answers by saying that a woman's opportunities in distribution are the same as they

are in any other field.

Many might say that your chances are better because of the quota system. True, your chances may be better for getting hired, or even for getting promoted. But the word going around the industry seems to be that once you reach a certain point, you can forget about going any further, no matter how good you are.

Most of the respondents indicated that middle managers in transportation/distribution change jobs less often than other professionals, reflecting the fact that there's still a lot of work to be done before the old "specialist" tag can be shed.

Job-jump Jumble

Opinions were mixed, though, about the value of "job-jumping." Almost as many saw it as a good way to get ahead, as did those who saw it as detrimental to a career's health.

Don Vassallo and Anthony Can-

onico of LTL Consultants, New York, gave what sounds like good advice about this question. "Job-jumping is not a good way to get ahead, but career progression is another viewpoint," they wrote. "Intelligent, upwardly mobile people have high goals. They need to be challenged constantly; they thrive on added responsibilities and power. If a company's size, its 'progressiveness,' reporting structure, or existing personnel are all working together to prevent personal growth, it's time to move on."

"But do not move on if the new position does not enhance your marketability immediately or in the near future," they added. "Many people often switch jobs only for more money or because the location is closer to home. Those are not good reasons alone to move on."

E.R. Bower of J. Miller & Associate's Executive Search, located in Dallas, had this to add: "Top slots are generally held until retirement, which means managers with five to ten years' experience can become stymied, waiting another 10 to 25 years for the opportunity to move up. Therefore, they look elsewhere, and they should."

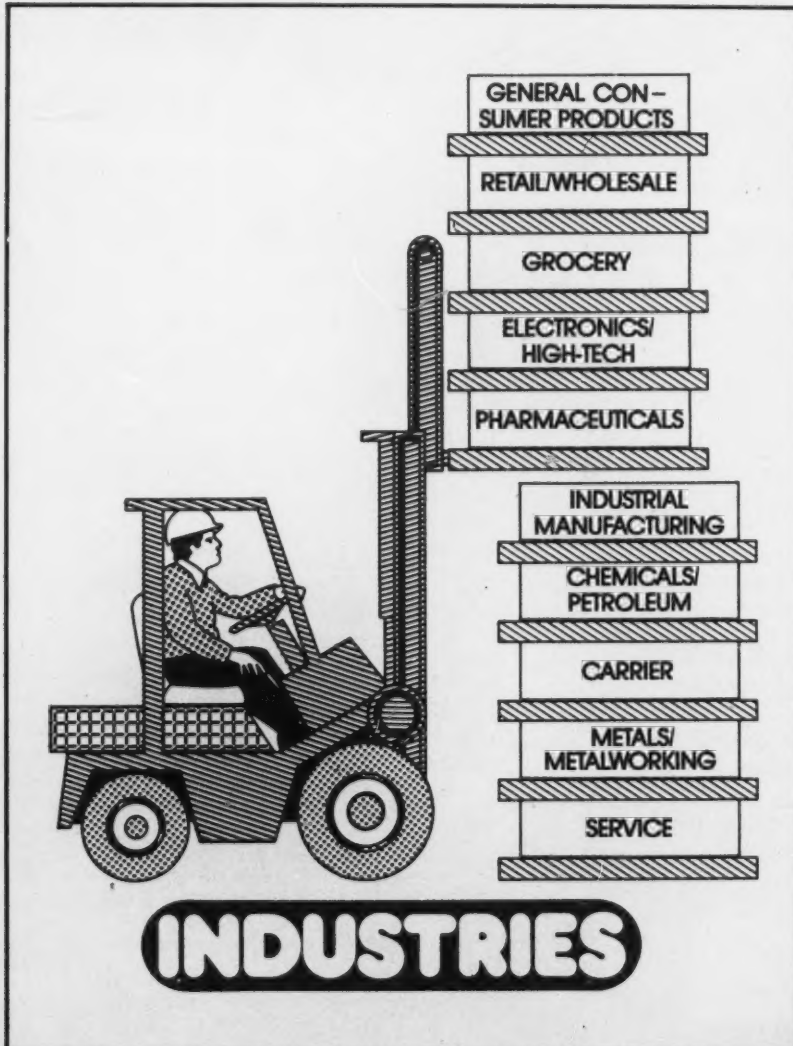
Another respondent, who wished not to be identified, said: "Yes, job-jumping is a good way to get ahead if it's not overdone. The wider exposure develops well-rounded individuals who have greater insights about business, compared with those who have been subjected to the insulating effect of single company employment."

Paul Mueller, of A.T. Kearney's Executive Search in Chicago, felt strongly the opposite, though. "Job-jumping is not a good way to get ahead because it indicates character flaws in the individual—lack of direction, instability and opportunism," he stated.

Lee Grego, of the Irving, Tex. firm of Lee Sullivan Associates, also said no to job-jumping. "If one must change jobs, try to stay in the same industry," he suggested. "Common denominators, contacts, and qualifying skills can also be very important."

Surprisingly, even though there was such a split on the job-jumping question, most of the headhunters

continued



Even though the service industry is one of the fastest growing industries in this country, it is at the bottom of the list (left) as far as demand goes for transportation/distribution people. There was one write-in vote for the carrier industry, which was given an 8.

HEADHUNTERS

revealed that they often advise people to move onto other job functions (eg., marketing/sales) within the same company.

Where the Big Bucks Are

Most of our headhunters feel that in many cases, larger salaries come with larger companies. Notes Sheila M. Joyce of Ver Kamp—Joyce Associates, Oak Brook, Ill., "This is true most of the time, but we do see many profitable firms pay the middle range for middle-management jobs, which is around \$45-\$50K." (That's why they're so profitable, right?)

But the people from LTL Consultants continue to insist that, "The bigger the company, the better salary and benefits you receive." (For more information on salaries, see the "coin" chart on page 66.)

About half of our respondents felt it is important to have a graduate degree to be successful in middle management. But again, there are exceptions.

Alex Metz of Hunt Personnel, New York, is one of those who felt an added degree isn't all-important, even if it might offer more opportunity. In the end, Metz says, it comes down to individual performance.

The folks at LTL acknowledged that a graduate degree may give you a head start, but noted that a lower

degree, or no degree, can still be coupled with more experience to make you look even better.

Among those who felt it is important to have a graduate degree, there was a split over when it should be obtained: before entering the job market, or after? Lee Sullivan Associates' Grego was one who felt the additional degree should be obtained within the first five years of being submerged in the "real world."

Stay on the Line?

Finally, we come to the old debate about line vs. staff jobs. The issue has only been further enlivened by all the excitable talk about the country's switch from a manufacturing to a service economy, and by the continuing troubles that have beset the traditional industries.

Still, an overwhelming percentage pointed to line positions as being just as marketable when it comes time to reenter the job market. Ron Gillihan of Jacksonville, Fla.'s Curtis-Gillihan, Inc. suggested the following as the optimum course to follow: three to five years in line supervision, then three to five years in a staff position, followed by three to five years in general management with profit-and-loss (P&L) responsibility.

Ver Kamp—Joyce Associates'

Joyce added: "We recommend that both sides of the business be learned, be it traffic/transportation or distribution/logistics. Those that specialize too much will be the first to be cut back when the economy takes a turn for the worse."

No Charge, Just Tips

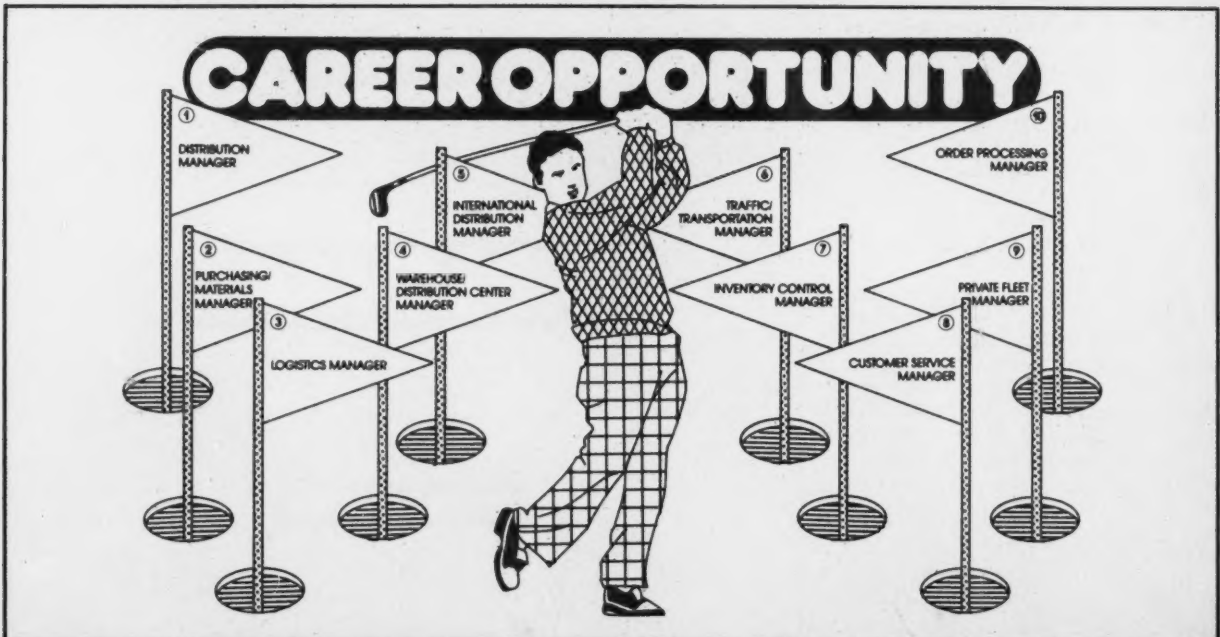
Happily, many headhunters felt no inhibitions about responding to our request at the end of the survey for additional career path advice. Here are some samples of the tips they provided:

Ralph Young of Amansco, Inc., Pittsburgh, pointed out the need for "good experience with hard goods—a definite computer background. And try to get jobs more closely related to actual production and P&L."

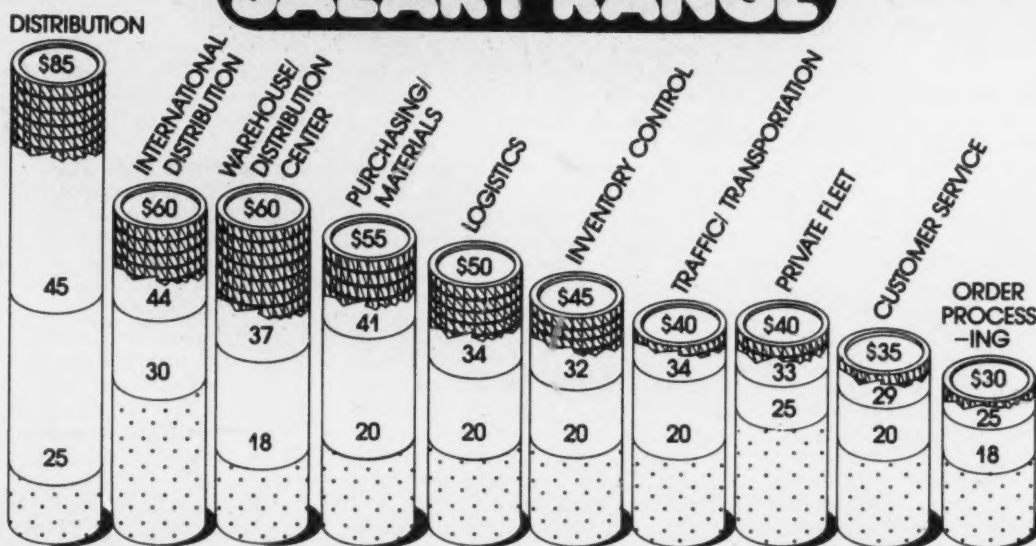
Jack Morrison of J.R. Morrison & Associates, in San Francisco, had these suggestions: "Obtain a BA and an MBA and work for a big, well-managed, professional company to get your initial training. After three to five years, let the world know who you are through executive search companies. Continue working hard at your present company until just the right opportunity develops."

Sullivan Associates' Grego supplied these guidelines: "First, be
continued

On DISTRIBUTION's golf course of life (below), the distribution manager position offers the most long-term career opportunities. But it all depends on whom you play golf with. Hunt Personnel's Alex Metz said that all of these positions are about equal in offering long-term career growth. On the other hand, Anthony Canonico of LTL Consultants said that you should avoid the last four positions completely, or spend little time in them, because there is the danger of becoming too specialized. (Please remember that different companies use different titles for the same job.)



SALARY RANGE



HIGH, MEDIUM AND LOW SALARY AVERAGES FOR MANAGERIAL POSITIONS IN THOUSANDS OF DOLLARS.

HEADHUNTERS

committed to your profession. Second, pick and stick with a specific industry. Third, stay with your company, if possible. Fourth, continue some updated education, plus a second vocational trade, save your money and pray a lot."

Another respondent said: "Even if you don't have any degrees, complete the following requirements no matter what: Get involved with the professional organizations, get certified, and try to stay with companies of substance long enough to offer growth opportunities."

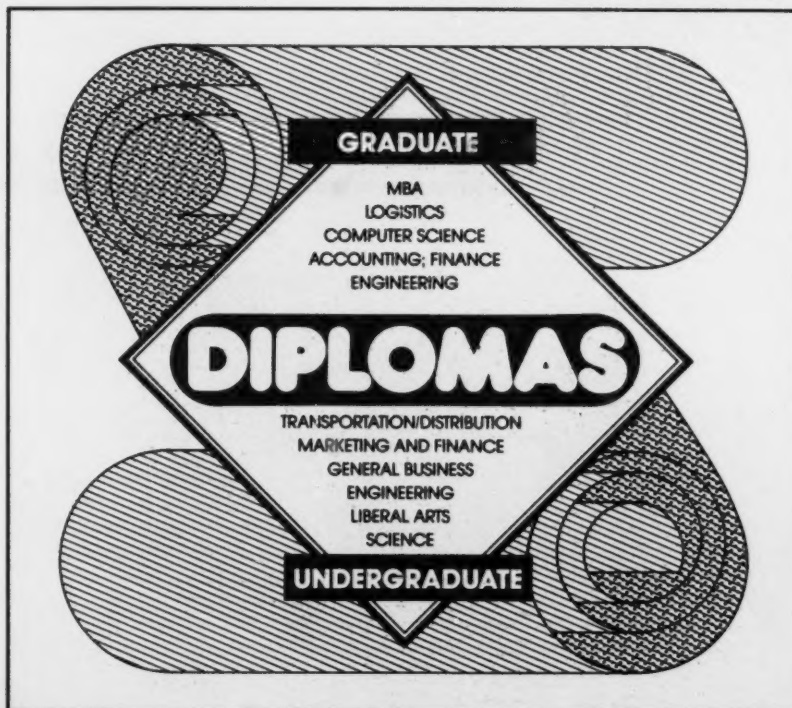
J. Miller & Associates' Bower said: "In a 'normal' economy, you should be promoted three times or more in the first six years. You should be able to see two more promotion opportunities (based on a minimum of good performance) in the next five to seven years. If you are not moving on this kind of schedule, you should be looking for another company."

A.T. Kearney's Mueller offered this advice: "Get a good education, i.e., an MBA with an undergraduate degree in a relevant area. Take a long-term view of your career and decide what your goals are. Set some milestones. Don't change companies more frequently than an average of four years, and get active with professional organizations such as the NCPDM, NITL, IMMS, APICS, AIIE, etc."

Mueller's final comment sounded an appropriate ending note: "Go for growth!" ■

Matching salary ranges to job titles was the hardest task of all for our surveyees. So hard, in fact, that many just chose not to answer the question at all. Above, you can see the results of those who did answer. Paul Mueller of Kearney Executive Search summed it up best when he said: "It's impossible to pick a salary range because it depends on a number of variables, including scope of responsibility, type and size of company, and geographic location."

The "diploma" below ranks graduate and undergraduate degrees in order of importance assigned to them by the headhunters who answered the survey. Note that accounting and finance are tied for fourth place in graduate degrees. Lee Grego, of Lee Sullivan Associates, said that success really depends on the industry and the job function of the individual. He also wrote, "The type of undergraduate degree is not too important from entry level to middle management, as long as you have one."



AIR FREIGHT: STILL HAVING ITS UPS AND DOWNS

The last in our series of modal financial profiles looks at the most topsy-turvy carrier segment of all—airlines and air freight forwarders. Shippers must be extra careful they don't commit large volumes of freight to an outfit that could soon be gone with the wind.

By Thomas A. Foster, Editor-in-Chief

The air transport industry has always been known for its ups and downs. But record losses for the airlines during the past three years, and widespread weakness among forwarders, have combined to make air shippers wonder more than ever about the long-term health of the industry.

Since 1980, combined losses for U.S. scheduled carriers have reached \$1.3 billion. Virtually every major carrier has found itself in the red sometime during this period. Several carriers have filed for bankruptcy, and at least two more are dangerously close to collapse.

The third quarter of 1983 has seen a dramatic turnaround for much of the industry, with airline operating profits jumping to around \$650 million. But shippers remain skeptical, and questions about the industry linger.

Will enough good airlines remain to provide the lift shippers need? Can these carriers afford to replace their aging planes? Is the air forwarder industry shrinking to the point where only a few major carriers will be left in a couple of years?

Only time can provide solid answers to these questions. But a look now at the recent financial performance of the various elements in the air industry can give shippers some valuable insights into what the future may bring.

"I believe the industry is healthier than it ever has been," says Michael J. Walker, financial analyst for Alex Brown Sons Co., a Baltimore-based stock brokerage firm. "Focusing on lift availability, the move by Emery and Airborne to in-

tegrate operations adds a capability that had not previously existed. Further, I believe the stronger airlines have increased their commitment to cargo, and regional all-cargo carriers are finding the deregulated environment so much to their liking that several are rapidly expanding their networks.

"On a quantitative basis, the elements of the industry have to be viewed separately," says Walker, who specializes in analyzing the financial performance of carriers and forwarders.

According to Walker, "pure" forwarders that buy all or most of their lift from the scheduled airlines have generally healthy balance sheets. Lacking heavy investment in equipment, the industry averages show virtually no debt, and aftertax profit margins of 3.1 percent.

The two major forwarders who own their own airplanes, Emery and Airborne, have to be viewed differently, according to Walker, because they had to acquire considerable debt to acquire these assets.

"These integrated forwarders brought debt to previously debt-free balance sheets, and this made the investment community nervous," explains Walker. "After initial heavy leverage, these forwarders managed to bring the debt-to-equity ratio down to a more comfortable 0.78.

"Further, and more important, the aftertax profit margin is now a healthy 3.9 percent, up from 1.5 percent in 1982. This segment of the market is in excellent shape."

The all-cargo air carrier segment of the industry is harder to get a grip on, because meaningful finan-

cial data for the smaller carriers is not available. Data is only available for the one national all-cargo carrier, Flying Tigers, a division of Tiger International.

"Tigers is a different situation from the otherwise rosy air freight picture," says Walker. "The company is heavily leveraged, with a debt-to-equity ratio of 5.74. That

continued

RANKING OF AIRLINES

By Freight Ton Miles—1982

1. Flying Tiger	1,604,964
2. Pan American	971,951
3. Northwest	596,113
4. American	492,235
5. United	488,733
6. Trans World	298,908
7. Eastern	221,352
8. Delta	220,961
9. Continental	192,344
10. Western	113,404
11. Republic	38,387
12. World	25,582
13. Braniff	23,795
14. Alaska	20,730
15. Capitol	13,827
16. Alaska Int'l	12,210
17. Wien Air Alaska	11,661
18. USAir	10,228
19. Piedmont	9,683
20. Frontier	8,903
21. Evergreen	7,489
22. Ozark	5,306
23. Air Florida	4,761
24. PSA	4,342
25. Hawaiian Exp.	3,872
26. South Pacific	3,502
27. Reeve	1,275
28. AirCal	1,192
29. Hawaiian	1,078
30. Southwest	1,030

Source: Air Transport Association

AIRLINES SALES/PROFITS

THIRD QUARTER 1983

COMPANY	SALES				PROFITS						Return on common equity 12 months ending 9-20
	3rd Qtr. 1983 \$ mil.	Change from 1982 %	9 months 1983 \$ mil.	Change from 1982 %	3rd Qtr. 1983 \$ mil.	Change from 1982 %	9 months 1983 \$ mil.	Change from 1982 %	3rd Qtr. 1983 %	3rd Qtr. 1982 %	
Airlines											
AMR (American)	1287.9	14	3481.3	11	100.7	466	112.3	NM	7.8	1.6	11.6
Alaska Airlines	89.1	18	209.5	16	9.7	45	15.1	48	10.9	8.9	20.4
Delta Air Lines (6)	973.2	11	2814.0	4	10.4	NM	-54.6	NM	1.1	NM	-6.7
Eastern Air Lines	995.0	4	2957.4	4	34.4	NM	-128.8	NM	NM	NM	-92.7
Frontier Holdings	163.5	12	426.4	1	1.3	-92	-14.9	NM	0.8	10.3	-13.0
Northwest Airlines	646.7	12	1636.1	16	45.0	67	38.5	407	7.0	4.7	4.5
PSA	146.1	14	396.5	12	3.0	NM	-5.4	NM	NM	4.0	-11.1
Pan American	1077.3	2	2661.7	-1	76.8	NM	7.6	NM	7.1	NM	-91.1
Piedmont Aviation	241.0**	33	625.0	27	25.0	45	13.7	-48	10.4	9.5	7.5
Southwest Airlines	115.8	25	322.6	33	11.8	6	29.9	22	10.2	12.0	13.4
Trans World	1542.8	4	3947.7	1	88.2	1	13.6	-48	5.7	5.9	-1.4
UAL (United)	1654.7	13	4365.0	8	63.1	-4	85.9	NM	3.8	4.5	12.8
USAir Group	367.4	11	1043.9	10	24.0	48	50.1	6	6.5	4.9	11.1
Western Air Lines	323.0	7	861.8	7	11.0	223	-66.3	NM	3.4	1.1	NM
World Airways	97.0	5	205.9	-10	12.6	NM	-12.8	NM	13.0	NM	NM
INDUSTRY COMPOSITE	9720.5	9	26154.7	7	442.4	131	83.6	NM	4.6	2.2	-3.9

1972-1982 HIGHLIGHTS

U.S. Scheduled Airlines

Traffic—Scheduled Service	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Freight ton miles (\$000)	4,217,452	4,736,729	4,890,026	4,766,118	5,074,193	5,385,129	5,763,249	5,907,731	5,685,622	5,618,113	5,397,701
Freight revenue (\$000)	906,494	1,036,459	1,216,332	1,295,100	1,482,502	1,687,302	1,939,062	2,155,226	2,370,468	2,512,796	2,351,099
Operating Profit (\$000)	584,471	585,266	725,740	127,879	721,933	906,040	1,364,863	199,055	(221,615)	(454,770)	(733,435)
Net Income (\$000)	214,850	226,693	321,641	(84,204)	563,354	752,536	1,196,537	346,845	17,414	(300,626)	(915,614)
Rate of return on investment (%)	4.9	5.1	6.4	2.5	8.6	10.9	13.0	7.0	5.8	5.3	2.7

AIR FREIGHT

means for every dollar of equity, there is nearly six dollars of debt. This is a critical time for Tigers."

The combination airlines are a mixed bag, according to Walker. Several continue to have massive losses, while others have turned around dramatically. Happily for the shipper, the healthiest combination airlines are those that carry the most freight.

Here's how the top six combination carriers stack up according to three key indicators:

	1982 freight (mils.)	debt-to-equity ratio	1983 aftertax profit margin
United	\$309.4	1.01	3.8%
American	302.8	0.89	6.7
Delta	227.1	1.22	0.4
Eastern	180.0	4.12	0.1
TWA	179.4	1.93	7.1
Continental	165.0	11.73	na

"The scheduled airline industry is experiencing problems, which ultimately could affect the air freight shipper," Walker says. "These problems, however, are mitigated by the strength of United and American. I do not believe a commitment to cargo is what led to the strength of these carriers, but it certainly may be a factor. Hopefully, it will be enough to draw the attention of other carriers."

"Whatever the shakeout of the

airline industry brings," he adds, "I am confident that adequate lift will be available and that the air freight industry will continue to improve its service to the shipper."

How should shippers use this financial information when selecting air carriers and forwarders? Walker

advises forwarders and larger shippers to look for carriers that are most likely to dominate in the deregulated environment. Generally, this means seeking out the larger, more aggressive companies that have made it clear they are really interested in cargo.

DOMESTIC ALL-CARGO DATA

(Section 418 Carriers)

Traffic	1981	1982
Scheduled Revenue ton miles (000)	317,696	439,634
Scheduled Available ton miles (000)	534,495	718,807
Scheduled Load Factor (%)	59.4	61.2
Financial		
Operating Revenues (\$000)	946,674	1,175,953
Operating Expenses (\$000)	798,952	1,011,335
Operating Profit (\$000)	147,722	164,618
Profit Margin (%)	15.6	14.0
Net Income (\$000)	77,899	84,306
Revenue Per Ton Mile (cents)	298.0	267.5

Section 418 Carriers

The adjoining table summarizes traffic and financial data for the following section 418 carriers:

Aero Union	Interstate Airlines
Air Express International	Jet Way
Air Transport International	Northern Air Cargo
Airborne Express	Orion Air
American Air Transport	Profit Air
Blue Bell	Providence
Bo-S-Aire	Rosenbalm
Combs Airways	Ryan Aviation
DHL Cargo	S.S. Airways
Eagle Aviation	Summit
Federal Express	Trans Continental
Fleming International	Trans Continental
International Air Service	Viking International

Choosing forwarders is a little trickier, however.

"It is my opinion that the choice of forwarders is becoming more and more critical in this deregulated environment," Walker says, "because there are material differences in the quality of service being provided. Further, you must also choose the forwarders who are capable of seizing the opportunities created by a deregulated environment and who will translate these opportunities into benefits for you.

"For instance," Walker continues, "it is highly unlikely that any other forwarder will have the financial clout to become an integrated forwarder like Emery or Airborne. Even among the pure forwarders, the larger, more successful will probably be able to expand their domination.

"The small forwarder just can't become large. The large forwarder has share of market and a good cash flow. It can come to the equity market for capital if it needs it. The small forwarder cannot, nor can the small forwarder afford to take on much debt.

"Small forwarders that continue to exist will be those that specialize, or somehow carve out a niche for themselves by handling commodities that require special expertise—providing pick-up and delivery to outlying locations, and so on," Walker believes.

The choice of a forwarder, the analyst says, should be determined to some degree by the company's financial viability. He recommends that shippers demand a certain amount of financial information from any forwarder it intends to do substantial business with.

"There are only a few key items to look for, so a forwarder should not object," he contends. "You may want to make sure its debt is just about zero, except perhaps for a mortgage and vehicle financing. The debt-to-equity ratio certainly should not be more than 0.25.

"You also want to look at the age of its payables and receivables. A forwarder often doesn't get paid by the shipper for at least 45 days, yet airlines usually demand immediate payment. If the forwarder is not paying the airlines quickly, and if it lets customers drag out their payments, it's going to have a problem. The airlines are not going to give any service favors to forwarders that don't pay on time. And, as a forwarder is largely dependent on the airlines for the quality of its service, it must maintain good relations with those carriers. ■

ATA AIRLINE STATISTICS 1982

	Cargo Ton Miles (000)	Operating Profit (Loss) (000)	Net Profit (Loss) (000)
AirCal	1,569	(20,654)	(23,992)
Air Florida	5,711	(33,940)	(78,507)
Alaska	29,534	21,270	10,569
Aloha	1,372	295	(325)
American	648,721	(18,247)	(14,476)
Best		(3,486)	(3,487)
Braniff†	38,325	(67,353)	(65,105)
Capitol	17,319	(12,965)	(21,203)
Continental**	231,576	(62,078)	(64,710)
Delta	339,433	(85,948)	(17,058)
Eastern	336,701	(18,781)	(74,927)
Evergreen	7,489	8,288	2,506
Federal Express	221,887	152,180	182,914
Flying Tiger	1,690,186	(48,288)	(43,789)
Frontier	21,859	6,812	15,922
Hawaiian	1,532	(6,612)	(16,761)
Midway	11	4,464	346
Muse	93	(4,738)	11,468
Northwest	739,956	(7,998)	5,019
Ozark	13,581	18,099	7,542
Pan Am	1,174,458	(372,736)	(485,331)
Piedmont	21,343	21,952	30,463
Pacific Southwest	7,559	(17,432)	18,552
Republic	64,360	37,253	(39,861)
Trans World	452,075	(104,174)	(30,829)
United	737,338	(68,549)	(10,751)
USAir	35,067	79,336	59,104
Western	156,059	(30,798)	(44,016)
Wein Air Alaska	21,162	6,113	2,140
Associate Members			
Air Canada	398,000	(25,800)	(32,600)
CP Air	165,399	(26,226)	(34,692)

†Discontinued operations on May 13, 1981.

*Includes non-scheduled service.

**Includes Texas International, which merged with Continental Nov. 1, 1982.

IATA INTERNATIONAL SCHEDULED PLUS NON-SCHEDULED FREIGHT TONS: PERCENT CHANGE ON LARGEST REGIONS/REGION PAIRS* AND TOTAL WORLDWIDE

1982 Actuals—1983/85 Forecasts

% Share 1982	Region/Region Pair	Actual 1982	1983	Forecast 1984	1985
18.1	U.S.—Europe	-0.6	3.4	6.0	6.0
14.3	Within Europe	-2.9	1.0	3.0	4.0
8.7	Europe—Middle East	4.5	6.9	7.2	6.5
7.1	U.S./Canada—Far East	6.6	7.8	6.4	6.4
6.6	Within Far East—S.W. Pacific	6.9	7.0	7.0	7.0
4.2	Europe—Western Africa	-2.0	Nil	5.0	5.7
3.5	U.S./Canada—Upper S. America	6.3		**	
2.8	Europe—Indian Sub-Continent	8.4	6.5	6.5	6.0
2.8	Europe—N.E. & N.W. Africa	4.1	3.0	5.3	6.0
2.6	Canada—Europe	-1.6	2.6	4.6	4.9
	Mid. East—Indian Sub-Continent				
2.6	S.E. & N.E. Asia/Japan	12.6	9.8	8.1	8.1
2.5	Europe—Japan	1.8	5.5	6.0	6.0
Total IATA International Scheduled Plus Non-Scheduled Freight Tons		0.6	4.1	5.7	6.0

*Regions/region pairs having more than a 2 per cent share of total freight tonnes carried on IATA international scheduled and non-scheduled services in 1982.

**No forecasts made

Source: IATA Freight Traffic Forecasting Group, June 1983.

FORECAST

BY DR. RICHARD LANCIONI

BY ALL ACCOUNTS, 1983 WAS A VERY GOOD YEAR

The year started with the prime rate hovering at around 14 percent. Inflation at the end of 1982 was still high, reaching the 9 percent level. Unemployment stood at 10.5 percent, and the gross national product (GNP) was showing no signs of growth.

Government economists were forecasting only two-percent growth in the economy for the coming year. But 1983 turned out to be a real surprise for industry managers and consumers alike.

In the first quarter, inflation grew by only 2 percent on an annualized basis. In the second quarter, it advanced by only 3.3 percent, and in the third and fourth periods it averaged 3.1 percent. That all combined to make the lowest inflation year since 1971.

Unemployment, while still high, began to decline slowly, reaching the 9.9 percent level at the end of the second quarter. By the end of the summer, it had dropped to 9.5 percent, and at the end of the year it stood at 8.8 percent.

The GNP grew by a much greater amount in the 2nd quarter, advancing at a rate of 7.2 percent. In the third quarter the rate slowed somewhat, to 5.5 percent, but it still remained higher than economists' predictions. In the final period, the GNP was advancing at a rate in excess of 6.0 percent, leading to an average rate of 6.1 percent for all of 1983.

Along with the dramatic rise in GNP and the drop in inflation, the prime rate slowly declined, from a level of 14 percent at the beginning of the year to only 11 percent at its end.

All of this activity helped make 1983 one of the best rebound years for the transportation and distribution industry, too.

Rail freight increased steadily each month, along with truck shipments, which averaged a 13.5 percent increase during 1983. Air shipments increased dramatically, rising by more than 17.8 percent for the year. Water shipments rose by 17.1 percent, and warehouse utilization by more than 15.9 percent for the year. □

DISTRIBUTION INDEX

	Nov. 83	Dec. 83	Jan. 84	Dec./Jan. Change
Truck Shipments	124.6	124.9	125.9	+1.0
Rail Shipments	114.9	115.1	117.2	+2.1
Air Shipments	121.1	122.8	123.4	+0.6
Water Shipments	111.3	112.1	114.5	+2.4
Warehouse Utilization	122.8	107.9	108.1	+0.2
Inventory Valuation	106.3	107.9	108.1	+0.2
Cumulative Index	120.9	121.5	123.1	+1.6

Year-end trends reflect the continued upward growth that has characterized the distribution industry since June. Truck shipments will increase to the 125.9 level through January 1984, reflecting a one-point increase over December levels. Rail shipments will increase to the 117.2 level through January, up more than two points from December. Air shipments, though not quite as strong as rail, will again show a positive increase for the seventh consecutive month. Water shipments will rise by the largest amount, with a 2.4 point increase through January. Warehouse space utilization is also up and will rise to 124.2 in January. The smallest increase in the Index is in inventory valuation, which expanded by only 0.2 through January, reflecting the moderation in inflation which is currently running at only 3.5 percent for all of 1983. The overall cumulative index increased by 1.6 through January 1984.

TRANSPORTATION INDICATORS—

Monthly/Quarterly Trends

Diesel Fuel Prices (Cents per Gallon/Average)
(Interstate Commerce Commission)

Sep.83	Oct.83	Nov.83	Jan.84 (Forecast)
1.229	1.229	1.226	1.23

Dow Jones Transportation Index (Index Point Closing)
(Wall Street Journal)

Oct.17	Nov. 1	Nov. 11	Feb.84 (Forecast)
591.6	579.3	595.6	614.5

Rail Freight Traffic (Billions of Ton Miles)

1st qtr.	2nd qtr.	3rd qtr 83.	3rd qtr.
195.4	401.7	562.1	563.7

The transportation indicators continue to reflect the moderate and stable growth pattern in the economy. Fuel prices are climbing very slowly, much more slowly than anyone expected. Since the beginning of 1983, there has been a slight downward movement in diesel fuel prices from January's price of \$1.23. Unless this winter is extremely cold, fuel prices should not increase much more than a cent or two in the months ahead. This, of course assumes there is no serious disruption of oil flows from the Mideast, which is a big question mark these days. Investor confidence in transportation stocks has wavered in recent months, but during the calendar year the Dow Jones Transportation Index has climbed to nearly 600 from its January level of only 350. Wall Street clearly believes carriers' earnings will continue to grow, both through increased traffic and higher freight rates. According to the Association of American Railroads, rail freight traffic for 1983 will exceed that of 1982, but not by much. The rail industry looks forward to a much stronger 1984.

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FROM PRIVATE WAREHOUSE TO
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There are many places where you can land air cargo destined for Europe, but for shippers whose real service needs only begin when that freight touches down, "Freightport" Frankfurt is tough to beat.

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What happens when a manufacturer spins off a warehousing subsidiary? Nothing but good things if it's done right. Allpoints distribution centers are proof that this giant leap can be taken profitably.

73 TRUCKING MOVES CLOSER TO FORM

The industry has been deregulated for quite a while now, but shippers are only now realizing the ins and outs of the trade-off between service and rates in a competitive market.

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In the distribution game, there are winners and there are losers. In our third annual Casebook feature, we present some examples of the first category in order to help keep you out of the second.

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Computer hard- and software



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DIALOGUE

In October, we asked if your company was becoming more involved in international trade, and if so, how and why. The vast majority of you said yes, your companies are becoming more international. Listed below is a sampling of the hows and whys:

"National and international activity has increased recently, thus increasing the demand for our products. A key is keeping our transportation costs down... of course!"—**Dennis Weber, traffic manager, Interstate Brick Co., West Jordan, Utah.**

"A strong dollar hurts our exporting. However, we do see relief beginning in Western Europe at this time."—**J. Sleis, senior buyer, Jet Spray Corp., Norwood, Mass.**

"We're more involved because of direct exports and because we're part of an export group. With the growth of our product line, it makes good business sense."—**Noel B. Strock, manager-export services, Occidental Chemical Corp., Niagara Falls, N.Y.**

"As a manufacturer of heavy-duty batteries, our product is unmatched overseas, and is in demand especially in the marine industry. Overall distribution expansion will aid exports."—**Surette Battery Co., Inc., Salem, Mass.**

"The greatest potential is for expansion of sales."—**L.N. Sutton, distribution manager, McCulloch Corp., Lake Havasu City, Ariz.**

"We're trying to open up new foreign markets because of an excess of raw materials that can now be sold rather than stored for long periods."—**John Schiro, traffic and distribution manager, Ventura, Calif.**

"The oil price drop has affected our markets in South America and the Middle East. Also, some degree of saturation of markets was expected for our products. It would be purely speculative to predict international expansion at this time."—**Richard A. Cooper, export manager, Spectronics Corp., Westbury, N.Y.**

"Our exports would have been much higher this year if our customers and their countries would have had more ability to pay. South America is a disaster area."—**John W. Borman, international distribution and domestic traffic manager, McCord Gasket Division, Ex-Cell-O Corp., Wauseon, Oh.**

"Our company should be doing more as long as our overseas customers need to supplement their existing computer systems."—

continued on page 8

QUESTION OF THE MONTH

In recent months, there have been various proposals to change the way hazardous materials are shipped. Some of these proposals will never see the light of day; others will. Our questions this month address those proposals that have been most widely discussed and that, in our opinion, stand the best chance of to gaining ground.

No one, to our knowledge, has attempted to survey as large an audience as the *DISTRIBUTION* readership on the value of these proposals. So, we're going to. This survey gives you an opportunity to participate in some of these national discussions.

From these survey results, we'll be able to tell you how other shippers regard these proposals. They may even suggest some that no one has thought of yet. And, we'll learn a little bit about their shipping practices.

But secondly, and more importantly, we'll publicize the results in this magazine so that our national leaders can see them.

So, please help us. Fill out the reader service card below. Your vote and your opinion do count.

And, if you would like to be heard from more often, fill in your name and mailing address so we can survey you directly. Replies are strictly confidential.

DIALOGUE

• Rate these proposals, from one to four, in order of their importance to you, with one being the most important and four the least important:

___ new national legislation that clearly separates federal, state and local government responsibilities;

___ a national goal of acceptable risk against which the success of a regulatory program can be measured;

___ new legislation that strengthens the federal government's preemption rights;

___ development of a national standard and federal funding for local law enforcement training

• Do you believe a DOT-appointed Advisory Committee will be able to resolve national regulatory issues? ___yes ___no

• Should the DOT adopt the United Nations performance standards for hazardous materials packaging? ___fully; ___partially; ___not at all

• Are shippers' views on hazardous materials issues heard and responded to by federal and state regulators? ___yes ___no

• What industry group is most effective in representing your interests?

• In your opinion, has federal enforcement (or state enforcement of federal standards) in the past year been: ___tougher ___less stringent ___unchanged?

• In which states do you face the most problems when transporting hazardous materials or wastes?

• Do you ever violate, either knowingly or unknowingly, federal or state hazardous materials regulations? ___yes; ___no.

Here's what I think about the overall regulation of hazardous materials movement in this country:

OPTIONAL:

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

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Federated Department Stores, Inc.

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Director of Corporate Transportation,
Robertshaw Controls Co.

Richard T. Foley Jr., export traffic manager, Dataram Corp., Cranberry, N.J.

"We are a foreign-owned corporation. International activity, both inbound and outbound, is part of our business, and the more the better. Our associations with our counterparts in Europe have been and are excellent."—**R.A. Christman, director of customer and distribution services, Mobay Chemical Corp., Pittsburgh.**

"We will be more involved. By providing a service for our customers and exporting their products, we produce."—**Donald Vastlik, distribution superintendent, W.F. Hall, Corinth, Miss.**

"We are dramatically increasing export sales of public utility stations. We have reorganized our international division to increase sales overseas."—**J. Robert Morton, vice president corporate transportation and distribution, Combustion Engineering, Inc., Stamford, Conn.**

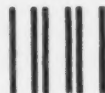
"More involved. We are the manufacturer of a unique electronic system. Requests from Europe began this year."—**Neal Anstadt, director of sales, Data Cards, Santa Ana, Calif.**

"More involved. We need business."—**H. Fitzgerald, marketing services manager, Zero Manufacturing Co., Washington, Mo.**

"We're going to become more involved. How? Through more aggressive sales and marketing activities in export markets, plus more currency-sensitive pricing. Why? To balance our business mix between domestic and international and to maximize profits overall."—**Unsigned.**

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The title of the person running international is manager	58%
The title is director or other like coordinator	34%
My company is involved in exporting	90%
It is involved in importing	71%
The worldwide recession has impacted exporting most	45%
The strong dollar has had the most impact	35%
Protectionism has had only a small impact on foreign trade	41%
It has had no impact on our foreign trade	31%



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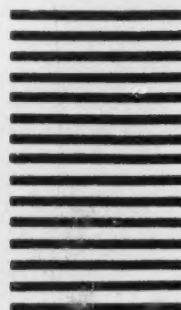
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COVER STORY**63 1984 GUIDE TO COMPUTER SOFTWARE, SYSTEMS, SERVICES AND VENDORS**

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60 WHERE TO GET OFF...

DISTRIBUTION helps you plan your busy schedule, pick the meetings that you can't miss, and find some that you may have missed, with this full-page, pull-out calendar that lists this spring's most useful industry meetings.

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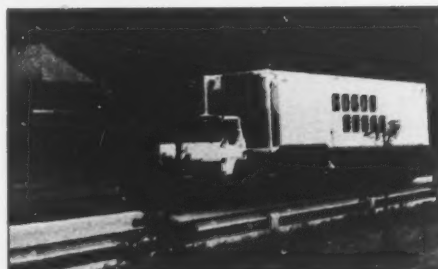
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Megacarrier mania



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DIALOGUE

In November, we asked for what you think is the best measure of how well your department performs in trying to meet corporate objectives. Here is a sampling of the many gauges you offered:

"The best measure is our control of the ratio of freight expense to sales."—**Jill Faller, supervisor domestic transportation, Pitney Bowes, Newtown, Conn.**

"Transportation costs as a percentage of material purchased."—**A. F. Clark, material transportation, Trailer Train Co., Chicago.**

"Measure the unit freight cost and record unit cost change to each specific shipping point in the transportation area. In warehousing, establish the labor cost per unit."—**Jerry Zettek, warehouse and shipping manager, J. L. Prescott, South Holland, Ill.**

"We are measured by the service we provide to our customers. No amount of cost savings compensate for poor service. We exist to supply our products to our customers, not to have the lowest distribution costs in our industry. Our profits come from the sales of our product line!"—**Unsigned.**

"Holding transportation cost per pound to a constant level while improving service to our customers allows them to carry less inventory and increase sales turnover."—**James Paule, traffic manager, Spangler Candy Co., Bryan, Oh.**

"Our report shows cash revenue generated by savings of transportation operations versus department costs. This shows how many dollars we put on the corporation's bottom line."—**J. V. Shirley, transportation manager, Phillips Fiber Corp., Startex, S.C.**

"Fast and reliable service at reasonable costs. Too cheap and your freight is delayed; too expensive is not always fastest or best."—**J. R. Johnson, traffic manager, Wieboldt's, Des Plaines, Ill.**

"Average distribution cost per unit versus budget committed to. Average raw materials costs versus budget committed to."—**W. Harkelroad, vice president of material management, Church & Dwight Co., Inc., Piscataway, N.J.**

"The best measure is total transportation, warehousing and inventory cost per hundredweight and as a percent of sales."—**S. H. Lloyd, general traffic manager, Gorton Group, Gloucester, Mass.**

"The best measure is cost as a percentage of sales. However, regional promos can skew performance figures."—**D. J. Duncan Jr., distribution manager, Rayovac Corp., Hayward, Calif.**

continued

QUESTION OF THE MONTH

Teamsters Union President Jackie Presser just took it on the chin from his rank and file. Presser was making wage and benefit concessions designed to help troubled unionized trucking companies reopen and expand their operations when the membership overwhelmingly said "No" to any more "erosion" of the National Master Freight Agreement.

Presser isn't the only transportation union leader in such a bind. Carriers in other modes are also fighting the high cost of labor and a deluge of independent competition, and up to now it's been largely a losing battle for them.

The long-range solution for union leaders such as Presser is to find a way to shore up their traditional bases. This leads to intriguing possibilities with regard to white-collar, high-tech and other employee segments of the transportation industry.

Is it too far-fetched to envision data processors or rate clerks organizing under the banner of an organization like the Teamsters?

The fortunes of transportation labor now have an indirect effect on shippers, who must keep an eye out for potential service disruptions and productivity shifts. Tell us what you see developing on the card below.

DIALOGUE

Will you or your company be negotiating with a transportation union this year? ☐ Yes; ☐ No

Are you less concerned with union demands and disruptions since the modes were deregulated? ☐ Yes; ☐ No

Of the following, which one area do you feel is of greatest concern to unions? (check ONE only) ☐ Wages; ☐ Wage and benefit concessions; ☐ Job security; ☐ Other: _____

For which transportation labor segment is the outlook bleakest? (pick one) ☐ Teamsters ☐ Longshoremens ☐ Rail unions ☐ Airline workers ☐ Independent truckers

As the old bases for unions deteriorate, are you prepared for white-collar transportation unions? ☐ Yes; ☐ No; ☐ Don't know.

Can you see union activity shifting to service and high-tech areas such as data processing or junior members of the traffic department's staff? ☐ Yes; ☐ No; ☐ Don't know

In the space on the right, tell us how you stand to be affected by the changing face of organized transportation labor.

Here's what I think about the overall regulation of hazardous materials movement in this country:

OPTIONAL:

NAME (print)

TITLE

COMPANY

PHONE

ADDRESS

CITY

STATE

ZIP

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Director of Corporate Transportation,
Robertshaw Controls Co.

"Increases in sales which result from innovative transportation."—
Larry P. Girven, general traffic manager, Cargill, Inc., Minneapolis.
"Working closely with carriers to secure best rates, timely pickups
and quality equipment."—**Lee Heidhues, traffic manager, PC Inter-
national Best Foods, San Francisco.**

"The best measure is meeting budget goals while improving sales
through service."—**Philip Bong, account executive, Carolina Corp.,
Belleville, Mich.**

"The best measure is as a profit center based on savings of freight
dollars. That is, every dollar saved is a dollar of profit on the compa-
ny's bottom line."—**R. J. Marshall, traffic manager, Duraco Products,
Inc., Streamwood, Ill.**

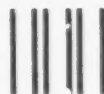
"The best measurement is improvement in corporate profits cou-
pled with increases in sales' market share, plus reductions in physical
distribution costs."—**H. H. Plaut, general traffic manager, Fertilizer
MT, International Mineral & Chemical Corp., Mundelein, Ill.**

"We use three measures: (1) cost per hundredweight shipped, year
to year; (2) return on investment as it relates to inventory; (3) cost per
unit sold, year to year."—**T. J. Kilmurray, director of distribution,
Electrolux, 3003 Summer St., Stamford, Conn.**

"Our corporate objectives for the transportation department are a
reasonable and acceptable degree of profitability, accompanied with
a high degree of service to our customers. No matter how efficient
and effective we say our department is, the bottom-line indicator of
our total performance is profitability and a satisfied customer."—
**Dennis Webber, traffic manager, Interstate Brick Co., West Jordan,
Ut.**

GETTING A FULL MEASURE

My department is viewed as a cost center	52%
As both a cost and profit center	26%
As a profit center	11%
Percent of sales is the most important cost measure	43%
Costs to budget is the most important measure	26%
Best profit measure is customer service level	11%
Best profit measure is return on investment	9%
We regularly report profits or savings	76%
We're measured by increased sales through service	41%
We're not measured that way	57%



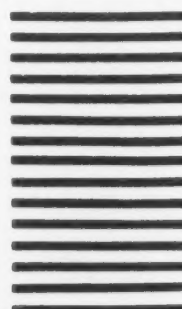
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THE WHOS, WHATS AND WHERE'S OF BROKERING
SUPERMARKET STRATEGIES: THE BOXCAR'S NEW ROLE
EXPANDED DISTRIBUTION FORECAST

COVER STORY**10 DO MEGACARRIERS HAVE YOU COVERED-OR SMOTHERED?**

America's love/hate relationship with all-in-one products now includes the multimodal transportation companies that are sprouting and spreading across the nation's freight fields. Are all-in-one "supercarriers" a useful tool for shippers, or just another marketing gimmick?

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More on megacarriers



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DIALOGUE

In December, we asked you about "supercarriers," and you were willing to concede some benefits in dealing with mega-transportation companies. But you also voiced concerns. Here is a sampling of what you had to say about supercarrier benefits and drawbacks:

"Service is vital to our product line. I need a close working relationship with my carriers. I don't feel that I receive that from 'supercarriers.' They may have given me a lot to choose from, but they still don't have my confidence."—**Kerry Glassman, traffic manager, Kent Co., Elkhart, Ind.**

"Even domestically, a true supercarrier offers LTL service, pool distribution, consolidations, truckload service and even air freight. The primary advantage is the reduction in the number of carriers needed to serve my plant."—**James J. Paule, traffic manager, Spangler Candy Co., Bryan, Oh.**

"Supercarrier service is beneficial to the shipper only in the sense that contract language is constant. Specific services still need to be negotiated on a lane-by-lane or commodity-by-commodity basis. This requires the supercarrier to be an aggregate of companies, and the shipper has to deal with several of the divisions."—**Thomas R. Hart, manager-traffic, Burroughs Corp., Wayne, Mich.**

"Senior managements generally do not have the capacity to manage a business that is all things to all people."—**Unsigned.**

"Supercarriers will be great (maybe) for a large shipper. The small or medium shipper will suffer from lack of purchasing power."—**Dan Wise, transportation manager, Henry Birks, Minneapolis.**

"Supercarriers, by size alone, do give standardized services, but there is also loss of personal contact, inflexibility and a bureaucratic philosophy. Innovations in transportation have, in the past, come from the small and more flexible carriers."—**T.D. Chamberlain, vice president, Lomanco, Inc., Portland, Ore.**

"Supercarriers = monopoly = captive shippers losing all around!"—**H.H. Plaut, general traffic manager, International Minerals & Chemical Corp., Mundelein, Ill.**

"I would like this option if it is service- and cost-effective. A supercarrier must really operate as a timely, integrated system to give any synergistic benefits to shippers."—**Dave Yeley, manager-transportation and distribution, Cosco, Inc., Columbus, Ia.**

continued

QUESTION OF THE MONTH

Deregulation has meant major changes in the way you conduct your business, but it has also meant changes in the ways carriers conduct business with you. Loss-and-damage claims is perhaps the area that has exhibited this change most dramatically.

For example, with the deregulation of the airlines, air liability for your goods dropped from \$9.00 a pound to 50¢. Then there's the matter of how carriers follow up on claims in a less-structured environment. Are they less likely to follow the ICC claim processing regulations (Ex Parte 263) that provide, among other things, for acknowledgement of the claim within 30 days, a "prompt and thorough" investigation, and either payment, declination or a "firm compromise settlement offer" within 120 days of its receipt?

Increased emphasis on long-term volume contracts have also colored the claims area. Have you, like many shippers, included reduced liability terms in these contracts? If so, what have the consequences been?

On the card at the bottom of this page, please fill us in on what you've been experiencing with regard to these and other claims-related questions that have surfaced in the deregulated era.

DIALOGUE

●Have you experienced more problems with truck liability and claims since deregulation? ☐ Yes ☐ No

●Have you experienced more problems with:
☐ LTL carriers ☐ T/L carriers ☐ Contract carriers

●Are carriers less likely to follow ICC (Ex Parte 263) claim processing regulations since deregulation? ☐ Yes ☐ No

●With which mode are you experiencing the most claims problems?
☐ Air ☐ Rail ☐ Truck ☐ Ocean

●Do varying air freight forwarder and airline claim time limits cause problems for you? ☐ Yes ☐ No

●Have you entered into reduced-liability long-term rail contracts?
☐ Yes ☐ No ☐ We are thinking about doing so

●Do you have a shippers' floater policy to cover domestic risks?
☐ Yes ☐ No ☐ We are contemplating obtaining one

●If you have a shippers' policy, have you increased coverage since deregulation? ☐ Yes ☐ No ☐ We are thinking about doing so

Currently, my biggest liability problem is:

OPTIONAL:

NAME (print)	TITLE
COMPANY	PHONE
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CITY	STATE ZIP

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ROBERT VIDRICK
Director of Corporate Transportation,
Robertshaw Controls Co.

"Supercarrier components are usually too autonomous to offer any collective benefits. Supercarriers tend to be generalists in all modes, but specialists in only one or two."—**D.W. Hack, manager traffic and distribution, National-Standard, Niles, Mich.**

"Great opportunity for large shippers, but will small shippers be neglected?"—**Jerry Jasper, traffic manager, Reilly Tar & Chemical Corp., Indianapolis.**

"With the large country that we have, rail can provide distance economy and trucking the localized service necessary to complete the delivery with costing for the entire job included."—**R.A. Christian, director of distribution, Mobay Chemical Corp., Pittsburgh.**

"Deregulation has not fostered competition; it has eliminated it. Whoever is left, for the most part, will become supercarriers with super-high rates. It may not happen next year or the year after that, but it will happen, wait and see."—**James Sergas, manager of transportation, Honeywell Inc., Fort Washington, Pa.**

"I feel and believe that the supercarrier, with hundreds of terminals and a vast organizational structure, must lose the close contact that the small carrier has with its shippers. To me, that contact is important."—**William Langer, director of traffic, Art Steel Co., Bronx, N.Y.**

"One carrier to handle all modes of transportation would eliminate congestion at the shipper's location; you would need only one tariff, and there would be only one salesman. But there is one problem: there would be no competition, and no leverage. Competition serves the public better in the long run."—**Ron Williamson, president, RJW Enterprises Inc., Bloomingdale, Ill.**

IT'S A SUPERCARRIER!

I dislike the idea of one-stop, supercarrier service	50%
I like the idea	28%
The greatest benefit is ease of routing	66%
ease of rating and rate negotiations	53%
carrier accountability	47%
Railroads could best offer supercarrier service	34%
Motor carriers could best offer this service	38%
Airlines are least equipped to handle this service	44%
Steamship lines are least equipped	25%
This service is valuable for international movements	50%
Of equal value for domestic or international	28%



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DISTRIBUTION

P.O. Box 2105
Radnor, Pennsylvania 19089

DISTRIBUTION'S FORECAST

We're now going to provide quarterly previews of the economic indicators that impact directly on your distribution operations. Here are some numbers to help you plan how lively this spring will be.

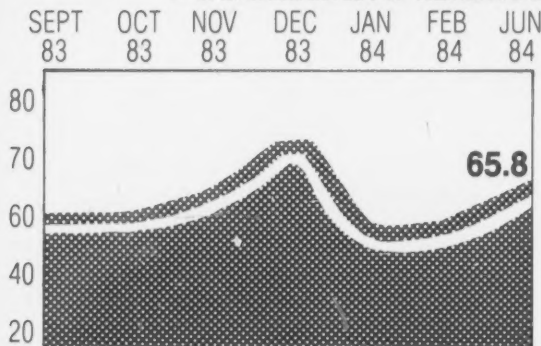
By Dr. Richard Lancioni, Contributing Editor

GENERAL ECONOMIC INDICATORS

	1st QUARTER '84	2nd QUARTER (forecast)
Real GNP (trillions)	\$3,843.7	\$3,910.5
Retail Car Sales (Mil. units, annual rate)	10.5	10.6
Housing Starts (Units, annual rate)	1,635,300	1,586,900
Prime Rate (%)	11.1	11.3
Mfg. Employment (Millions)	19,400	19,800
Diesel Fuel (Price/Gal.)	\$1.31	\$1.35

Distribution managers should continue to experience high order levels and increasing demand for improved customer service levels. The expected low inflation rate will result in increased orders on all levels in the distribution channel, with wholesale distribution activity expected to increase dramatically as retail sales grow. The distribution manager should resist temptations to expand inventories, for despite the expected slow growth in interest rates, it is still uncertain what level they will eventually reach. A sudden surge could mean high borrowing costs for inventory expansion. Transportation costs should remain fairly constant during the first half of the year, with fuel charges expected to increase only moderately. Diesel fuel will increase from \$1.31/gallon in March to \$1.33-\$1.35/gallon through the second quarter. Jet fuel as well will increase only slightly. The labor scene in transportation remains relatively quiet, with no major surprises expected. In fact, most carriers will continue to ask unions to consider pay reductions through 1984.

PURCHASING MANAGERS COMPOSITE INDEX



The index represents the combined rankings of purchasing agents in more than 250 industrial companies across the country. The index looks at employment, production, the number of new orders, and inventories among those companies, which represent more than 40 industries. The purchasing managers are generally optimistic about the first half of 1984. In the employment area, most purchasing agents remain confident that employment will increase slowly, which is consistent with the drop in unemployment shown above. At the same time, the purchasing index reflects a continuing upturn in production with only a small percentage indicating a decline in factory production. More than half expect the strong increase in new factory orders that characterized the last quarter of 1983 to continue through the first part of the year. Also, only about one-third of the purchasing agents expect inventories to rise during the first half of 1984.

DISTRIBUTION INDEX Quarterly Shipper Forecast

	CURRENT QUARTER	2nd QTR. FORECAST	NET CHANGE
Truck Shipments	131.6	136.2	+4.6
Rail Shipments	118.5	121.7	+3.2
Air Shipments	124.2	126.7	+2.5
Water Shipments	114.7	115.8	+1.1
Warehouse Space Utilization	126.8	129.9	+3.1
Inventory Valuation	109.9	111.1	+1.2

Distribution managers are experiencing their highest shipment levels since 1979. The increase is reflected in the strong growth in the transportation sectors in the first quarter. The 4.6-point growth in truck shipments is significant, because the trucking sector has not experienced such an increase since the first part of 1980. The rise in rail shipments is attributable to high raw material shipments and the increase in piggyback moves. Air shipments will also rise, but by a smaller amount. Water modes are up and will continue to grow through the second period. Again, this is because of upward trends in bulk shipments and expected increases in metal and steel production. Warehouse space utilization is expected to match the performance of the transport modes, with a 3.1-point increase, reflecting a modest inventory building that has taken place. Finally, inventory valuation, a key indicator of future inflation rates, will rise by only 1.2 points.



SUPER (MARKET) STRATEGIES: THE BOXCAR'S NEW ROLE

The latest round of deregulation, which went into effect January 1, was intended to save the boxcar. But according to many non-perishable food shippers, boxcars still face stiff competition from motor carriers and even piggyback service. Will the Eighties be known as the decade the boxcar was sunset by grocery shippers?

(Part Two of a two-part series.)

By Nancy Entwisle, Associate Editor

Ever wonder what happened to those great steam locomotives, one of which was known as "The Iron Horse" in John Ford's classic movie by the same name? Well, most were sent to museums in the 1950s, when the railroads switched to diesel fuel, thus ending an era and beginning a long period of decline and change for the steel-wheeled industry.

In the 1960s, fast cars and planes with bars became all the rage, and people forsook trains when taking

long trips. Less-glamorous freight trains also began to have their problems, in the face of stiff competition from motor carriers.

In the 1970s, "training" hit its lowest point in history, and Congress felt compelled to save six bankrupt railroads and create Conrail. Other railroads could not be saved, however. Some of their "luckier" cars were turned into things such as the Choo Choo Hilton Hotel in Chattanooga. Most of the others were either abandoned on the spot or converted to scrap

metal.

Today's question is: Will this be the destiny of boxcars?

Save the Boxcars

The intent of boxcar deregulation is to enable railroads to attract back some of the business lost to the motor carriers. Many food shippers, however, still find themselves turning to trucks more often than boxcars.

Arthur Klawans, vice president of industry affairs for the National

continued

GROCERY

Food Distributors Assn. (NFDA), reports that "canned goods are mostly shipped by boxcar for the longhaul on the West Coast, in the Midwest and in the East. If the railroads can make themselves competitive with trucks on freight rates now," Klawans believes, "they're going to get some of the other business back that's presently on the trucks. But they've got to be competitive in terms of transit time, too."

On a volume basis, the Quaker Oats Co., headquartered in Chicago, moves about 60 percent of its products via rail and 40 percent with motor carriers. "Therefore," says James Mann, director-transportation, "we have definite interest in boxcars. But as far as our own company is concerned, we don't feel that we're captive to the railroads. We still have the opportunity of go-

ing piggyback or over-the-road with most of our finished products.

"Basically, the railroads are using the old tariffs," Mann reports. "As far as the future goes, I would expect that as the railroads figure out what their market is and where their low spots are, there will be some upward adjustments—individually rather than across the board—of rates we've had in the past on canned goods, grain products, and whatever else in the food business."

But Mann is nevertheless optimistic. "Hopefully," he says, "boxcar deregulation will do two things: First, it will give the railroads a chance to price and react more rapidly to their competition, meaning over-the-road carriers. Secondly—and this is Conrail's aim, which is a worthy one—it will reduce the empty miles which today's system generates. That will reduce costs and

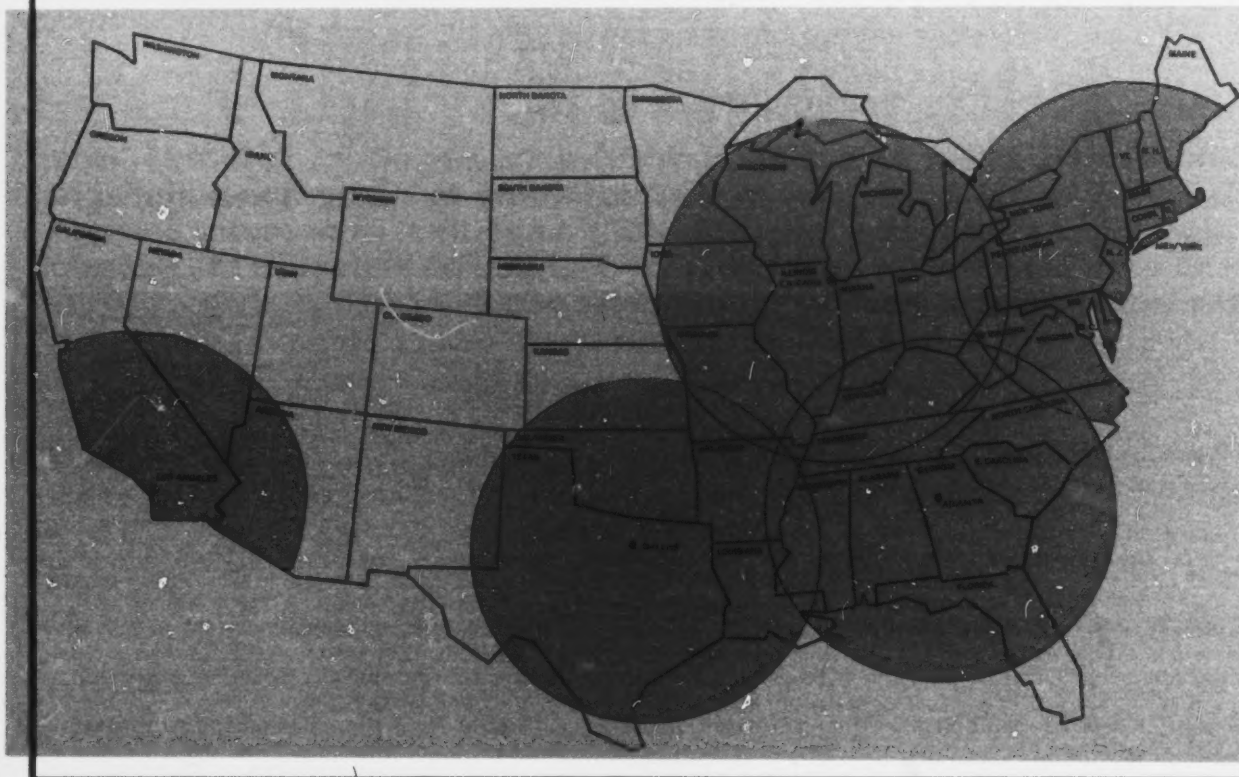
make it possible for the railroads to reduce rates by using their equipment more efficiently."

Already, it looks like Conrail has made some progress in this area. In cooperation with connecting carriers such as the Burlington Northern, Santa Fe and Union Pacific, Conrail has established new lower independent factor prices for single-car movements of canned goods from the West Coast to Conrail and connecting-line destinations in the East.

Conrail says the new prices, which went into effect last month, were encouraged by boxcar deregulation. They are called "independent factor" prices because, like regulated rates, they can be changed quickly to meet market needs. The new prices from origin to destination will be from 10 to 20

continued

This map of the contiguous 48 states shows the five major distribution areas (each with a 400-mile radius) which cover 42 percent of the land area, but 91 percent of the sources of consumable goods. The stores within the radii of these five points can expect 24- to 48-hour service for their consumable goods. It has been estimated that 70 percent of the freight moved in the U.S. is food or food-related products. Interestingly, geography does not determine the consumption of goods; it is determined by raw- and in-process material users, as well as finished product users (consumers). Industry, governments, private institutions, public institutions and individual consumers comprise these types of users. In other words, consumption takes place where the jobs are, where the people are, where the institutions are. The so-called "in-between" markets, such as the Dakotas, Montana, New Mexico and the like, have learned to accept delays of up to three or four days for their non-critical goods. (Excerpted from a paper entitled "The 1980s' Impact on the 'Classic' Food Distribution Pattern," by Arthur Klawans, vice president of industry affairs for the National Food Distributors Assn.)



GROCERY

percent below existing single boxcar rates, Conrail says; in other words, fully competitive with TOFC and truck rates.

Doing Time

Like Art Klawans, Jim Mann is concerned about transit time. "If you're going to switch product off the road and back into boxcars, you're also going to have to take a look at the service level provided. I think you'll find a greater latitude when you talk about moving from a plant to a warehouse—like a Quaker plant to a Quaker distribution center—than you would when shipping from a plant or a distribution center to a customer, where the delivery time is a little bit more critical.

"In the grocery trade, acceptable rail delivery time has been plus or minus a day of the requested arrival date, whereas motor carriers are there usually on the hour," Mann notes. "You have to consider the cost, safety and inventory factors if you're going to deliver by rail."

Mann suggests that some customers might prefer rail because they have two days to let the boxcar sit; the customers can then use their own warehouse labor staff any way they want to, and pick the products or cars they want to unload first. "But if you get the motor carrier in there," he adds, "you have two hours to unload a palletized shipment. You'd better get those trailers unloaded."

Boxcar Blues

Fleming Foods of Pennsylvania, located in Oaks, Pa., is a subsidiary of Fleming Companies, Inc. Fleming Foods is a wholesaler and distributor serving Pennsylvania, New Jersey, Delaware, Maryland, the District of Columbia and Northern Virginia.

The rail carrier for Fleming is Conrail, and Ken Collins, the plant's distribution manager, says he would be happy if he never had to use a railroad again. As it is, Fleming Foods receives only about five percent of its inbound freight by rail. "The company," says Collins, "keeps rail to a minimum because using motor carriers is more productive, cheaper, and there is less damage."

When a boxcar comes in, Collins says, it must be unloaded in one day or the railroad will charge Fleming \$20 to \$60 per day "overtime." This includes the times when 15 railcars arrive at the warehouse unexpectedly, and all 15 must be unloaded within 24 hours of arrival.

"The railroads are too independent," says Collins. "They're rarely on time—they're either way too early or way too late—and when they make the mistake, they charge you to take care of it! Our industry can't stand it."

Truckers at Heart

"As for our private fleet," boasts Collins, "you can schedule those trucks for a certain time, and they'll be there on the dot. That's why we're truckers at heart."

Generally, Fleming Companies, Inc. hires out its private fleet, although Fleming Foods of Pennsylvania does not. This Fleming subsidiary, however, does look for major manufacturers, such as Del Monte and Campbell Soup, that offer backhaul programs ("Super (Market) Strategies: Grocery Trucking Comes Full Circle," February, p. 54). As a selling point to its own customers, Fleming provides direct store delivery and commodity grouping.

At one time, Fleming Foods received as much as 20 percent of its inbound by rail. The company has room for nine boxcars in its 611,000-square foot facility. These days, it is rare to see two. Now, because so little of the company's inbound comes by rail, Collins can't say whether there have been any changes since boxcar deregulation.

Piggy Facts

William Morgan, director-traffic, Frito-Lay, Dallas, says, "We're seeing an increase in the use of piggyback as compared to the past. I think there's a place for both rail and motor carriers and I think that place is not one of competition, but one of intermodal cooperation."

"If that happens," Morgan says, "the railroads will do the thing they do best—haul a vast amount of tonnage a long way with a minimum of manpower in a very fuel-efficient way. And trucks will do the things they are uniquely equipped to do—pick-up, deliver and run the short haul."

"When you have a lot of piggyback trains running over long distances, you'll have a lot of trucks making pickups and deliveries at both ends of the line. That's optimizing the system."

That, of course, is what has already been happening as piggyback service continues to grow. But it could also mean there wouldn't be much of a role left for boxcars.

"The railroads may be able to compete with trucks on the piggy-

back level, in terms of merchandise and packaged food, but not with boxcars," Morgan believes. "If the shipping public has no sense of urgency, then boxcar deregulation will take truck traffic. But I don't think that will be as widespread as some people think."

Deregulation Sophistication

But shippers aren't writing boxcars off completely. For example, Norbert Leiberg, director-transportation services for the Kellogg Co., Battle Creek, Mich., reports that his department does not "foresee changes in our basic rail costs." But at the same time, Leiberg notes, deregulation has forced Kellogg to put its computers to work developing more sophisticated cost-analysis programs.

"There's more concern over railroad costing and commitment from the carriers under a contractual arrangement," Leiberg says. "And I think boxcar deregulation will provide us with the same opportunities contractual arrangements have. If we find a need for a particular piece of equipment or service, we talk to the carrier we think can provide it, and discuss it rationally."

Leiberg contends that talk of competition between railroads and truck lines is "a bit like comparing horses and mules." He agrees with Frito-Lay's Morgan. "There's a difference in the service each has to offer. Each has a niche in the distribution of grocery products. From our perspective, the railroads really haven't paid that much attention to their niche over the last several years. But since deregulation, they have become a little more concerned about the competitive aspects they now have to face."

"We aren't turning away from railroads," Leiberg says. "We just want to give our customers the choice that fits their particular needs—whether it's a customer pickup, a truck or carload. If they prefer carload, we foresee being in the rail business for a long time to come."

WOW!

Kellogg is one shipper that does not agree railroads cannot come up with a competitive time service. The cereal maker has already seen evidence to the contrary.

"The possibility of time service by rail has already been demonstrated to us by Conrail's 'Warehouse On Wheels (WOW)' service," Leiberg reports. "The Kellogg's-Conrail WOW service has been, and

continued

GROCERY

is, a time-service train. It's a scheduled block of cars moving out of Battle Creek within a given time frame. It connects with eastbound trains of Conrail for distribution in certain terminal areas within our market area."

Conrail says its WOW service provides up to 48-hour faster delivery of shipments from the Battle Creek cereal manufacturer to its East Coast customers. Under the WOW system, boxcars, which act as "rolling warehouses," move loads of cereals by rail over the weekend, and arrive at local yards in time for rapid distribution early each week to meet retailers' needs.

Noting that car movements from Kellogg on an "as-needed" basis caused transit delays at the receiving end, Conrail and the Kellogg's transportation department arranged a schedule that calls for a weekly train that leaves Battle Creek by 9:00 AM every Friday. By midday, the cars are being grouped into trains at Conrail's major freight car classification yard in Elkhart, Ind., for movement to four major Conrail terminals. From there cars travel to any of 60 cities throughout the Northeast.

"Kellogg asked Conrail to design a service that would convince East Coast customers to keep using rail delivery of their shipments instead of switching to trucks," says James A. Hagen, Conrail's senior vice president-marketing and sales. "Kellogg and Conrail both adjusted their operating patterns, enabling Conrail to protect this traffic from diversion to another transportation mode, as well as increasing the volume of such shipments moving on Conrail."

Kellogg now ships an average of 50 cars per week via WOW rail service on Conrail.

WOG!

Even with the advent of innovative services such as WOW, however, a vital role in grocery distribution must still be played by the old standby, the warehouse on the ground (WOG?). Progressive things are happening in this area, too, largely because of what Arthur Klawans cites as one of the biggest issues in the grocery industry today—electronic data communications within manufacturers' warehouses, and among those warehouses and the retail stores.

"As interest rates went down, and union busting started to take place," the NFDA vice president reports, "everybody became interest-

DISTRIBUTION COSTS IN GROCERY MANUFACTURING				
	Distribution Costs As A Percentage Of Sales			
	Total Food Products	Dry and Packaged Canned	Temperature Controlled	
Transportation	5.03	5.07	4.95	5.12
Warehousing	1.71	1.80	1.48	1.95
Order Processing/ Customer Service	0.23	0.30	0.17	0.24
Distribution Administration	0.26	0.37	0.22	0.15
Inventory Carrying (@10%)	1.23	1.07	1.35	1.25
Other	0.48	0.04	—	0.91
Total	8.47	8.60	8.15	8.75
Product Value (\$/lb)	0.94	1.14	0.59	1.20

This data was provided by Herzog W. Davis and Co. from its 1983 Physical Distribution Cost Database. It covers 35 companies with an average sales revenue per company of \$536 million in 1983. The companies reported costs on a sales base of approximately \$20 billion. Note: Figures in columns do not add up to the total because some companies did not report all data.

ed in mechanization and automation that could ultimately help them reduce the number of people in the warehouse. The retailer and the manufacturer are going to continue to strive to reduce inventory, and machines help you do that, too.

"Right now, there are all sorts of federal incentives on equipment and capital expenditures," Klawans states, "so with taxes and interest rates slipping down a little bit, management will be motivated to unpeople the warehouses."

In data communications, the food industry developed UCS (Uniform Communication Standard), computer-to-computer communication which reduces paperwork, clerical labor and ultimately, inventory. WINS (Warehouse Information Network System) will one day be to warehouses what UCS is to the grocery manufacturers, retailers and wholesalers.

Klawans feels the public warehouse is "getting smarter on its calculations of labor costs, space costs, space utilization and labor. But public warehouses will be the last to mechanize and automate," he adds, "because their transiency of customers makes it difficult for them to build one mechanized system that will accommodate all customers. Public warehouses do not have a lot of long-term contracts, so they're not going to buy a lot of hardware that won't accommodate everybody."

Glen Anderson, director-distribution center operations for Del Monte in San Francisco, says his

company uses computer modeling to establish minimum and maximum inventories in the warehouse by item. "We are working to decrease inventory," Anderson reports. "Defining costs and understanding how they are allocated back to the users and the product groups is one of the most active areas at Del Monte right now; it's a big issue."

Fleming Foods warehouse manager Bill Urban says his company is moving quickly into warehouse computerization. But for the moment, it has given up on trying to mechanize its order picking. "We used to use a certain brand of automatic picker," says Urban, "but it was removed because we found we could be more productive without it. We expected 40,000 picks per day and only got 32,000. So now we pick all 80,000 manually."

"We have been very successful with computerization and we want to do more of it," Urban adds enthusiastically. "Right now, we have purchase orders, the master order schedule and the inventory item file on line."

The future role of boxcars may still be in question, but you can bet they won't be building something called the "Bit Byte Hilton" for a long time to come. As long as they have the help of data-hungry computers, and a horn of plenty of transportation options at their disposal, distribution managers for the companies that make your groceries shouldn't have any trouble keeping your food stores well-fed. ★

WHO'S WHAT IN BROKERING

The field of freight brokering is expanding so rapidly that shippers now need a scorecard to identify the players. Here are the names, numbers and vital statistics of nearly 100 brokering operations that responded to a recent **DISTRIBUTION** questionnaire. There are plenty more out there where these came from, and we'll be back with more listings at a later date. In the meantime, these should help you start sorting out the superstars from the benchwarmers.

By Bruce Heydt, Associate Editor, and Joseph V. Barks, Editor

Co. name, location

Principal
contact

Primary
business

Other services

Authority
held

Equipment
specialization

WEST

(Ariz., Calif., Colo., Id., Mont., Nev., N.M., Ore., Ut., Wash., Wyo.)

TRANSPORTATION SERVICE Denver	David Gray, owner (303) 295-3456	brokering TL freight	broker LTL, air freight, consol	broker/ Feb 1983	reefers, flatbeds, vans
AMERICAN TRAFFIC CORPORATION Anaheim, Calif.	Bob Walters, president (714) 937-1201	brokering, all modes	consulting	broker/1975	most types
BEST WAYS BROKERAGE Tombay, Wash.	Ted Robinson (206) 537-2610	brokering TL freight	48-state common and contract carrier	48-state com- mon and con- tract auth'y	flatbeds
SOUTHERN TRADER, INC. Seattle	Jack Mallory, vp (206) 622-9355	brokering LTL freight	TL, air & customs brkr, consol, foreign frt fwdg	property broker/1978	reefers, flatbeds, vans
WICKMAN & ASSOCIATES N. Hollywood, Calif.	Jim, dispatcher (213) 877-8766	brokering TL freight	LTL brkr, consulting, consolidating	property broker/ Apr. 1981	reefers, flatbeds, vans
CALIFORNIA FANTAGE CO., INC. Compton, Calif.	Harry Wilkes, trf mgr (213) 537-1432	trucking	brokering, whse, consol, pool dist	broker/'80, 48-state authority/'82	flatbeds, vans
CALIFORNIA COMMER- CIAL ENTERPRISES, INC. Fresno, Calif.	Carl Marion, vice pres (714) 669-0304	brokering LTL freight	warehousing, container swing, TL frt consol	broker/'82,	vans
CALIFORNIA SPECIALIZED EQUIPMENT SYSTEMS, INC. South El Monte, Calif.	Thomas Reed (213) 443-7158	brokering TL & LTL freight	warehousing	broker, gen'l commodities	flatbeds, dropdecks
CASCADE WEST TRANSPORT- ATION BROKERS, INC. Lake Oswego, Ore.	John Wetzel, oper mgr (503) 635-3474	brokering TL freight	carload and piggyback freight	transport brkr, con- tract carrier	flatbeds, vans
EAGLE BROKERAGE Billings, Mont.	Gene A. Radermacher (406) 245-5132	brokering TL freight	LTL, air brkr, consolidating, consulting	broker/March 1983, motor carrier/1983	reefers, flatbeds, vans
GAP SHIPPERS SERVICES, INC. City of Industry, Calif.	Roy Larsen, president (213) 912-9478	brokering LTL freight	TL brkr, consol, pool dist, whse, piggyback	motor carrier/ April 1983	reefers, flatbeds, vans

There are brokers, and then there are brokers. Boy, are there brokers.

There are companies that have been in the business of brokering freight, and only that business, for generations. Then there are shippers, carriers, warehousemen, forwarders, consolidators, consultants, and entrepreneurs that have obtained a property broker's authority from the Interstate Commerce Commission (ICC) because it's become all the rage of a deregulated age.

The funny thing is, there's a need for all these types of brokers, and the many more that exist. Deregulated distribution means brokering can make sense for all sorts of shippers in all kinds of ways. One shipper may prefer to use a broker that's just starting out; another may want one with vast experience. One may prefer a "pure" broker, another a broker that can offer other services as well.

But finding the broker that's right for you has been no easy task in a time when companies of all sorts have been obtaining brokering authority almost as fast as the ICC can cash their checks.

That's where we come in.

Last December, we mailed a questionnaire to the members of the Transportation Brokers Conference of America (TBCA). We told the recipients of the survey that we wanted to compile a broker service guide that shippers could use to narrow their options.

We realize that not all brokers are members of the TBCA. We also realize that the membership of that burgeoning group, and of the brokers' ranks in general,

continues to expand almost by the day. And we also realize that we could not hope to get information back from all the companies that received our questionnaire.

So what's on the rest of this page and the eight that follow is by no means intended to be a listing of every broker currently operating in the U.S. But we think it represents a pretty good start. The response to our mailing was unusually high (nearly 40 percent), and we imagine it won't be too long after this is published before many of the other 60 percent, and a lot of new companies, seek us out. So we'll be back, no doubt, with plenty more names and numbers before the year is out.

Before we let you plunge into this first helping, though, a final word about some of the data we're including in these listings. We modeled the survey around questions shippers and other brokers told us they thought were important to any selection of a broker. Some of these questions got pretty specific, such as those reflected in the columns which show total movements, total tonnages, and the number, and names, of the carriers and shippers involved.

Many of the brokers we surveyed voiced objections to our asking for this information. "Who we do business with is our bread and butter!" is how one put his complaint. But, we told all who expressed reservations, that's what shippers told us they wanted to see; each broker would have to decide whether it should comply.

As you can see from what follows, some did, and some didn't. Maybe you can get those who didn't supply any "references" to fill in the blanks. ★

Commodity or industry specialties	Regional specialties	No. of carriers brokered to in '83/ top 3 (if given)		No. of shippers brokered for in '83/ top 3 (if given)		Total movements in '83	Total tonnage in '83	No. of employees	Computer capabilities?
general & heavy haul	nationwide	110	TNT Services Overnite Trans WNI	20	Aspen Furniture Pillsbury Audubon Park Co	251- 500	10.4M lbs	3	no
general freight	nationwide	261	Transcon ABF PIE/Ryder	200	Vons Grocery Sav-On Drug Boyle Midway	over 750	600K tons	20	yes
general freight	nationwide	150		200		over 750	50M tons	14	yes
import and retail	nationwide	15		100		over 750		60	no
retail	nationwide	28	Interstate Coast Carloading Roseway, Inc	31	S & W Fine Foods Allied Supply Kern	251- 500	500K tons	8	no
general freight	California	7		25		1- 100	2.5M tons	800	yes
retail, wholesale	nationwide	20	Bristow Truck Continental Warren Cty Frt	40	Maruchan, Inc Bostrum Warren Kwit Set-Ernhart	over 750	3M lbs	5	no
over- dimension loads	nationwide	50		200		over 750		10	no
bdg mat'ls	nationwide	1100		217		over 750	80K tons	9	yes
bulk	nationwide					251- 500	8000 tons	4	no
retail, heavy haul	nationwide	64		45			67.5M tons	8	yes

Co. name, location	Principal contact	Primary business	Other services	Authorities held	Equipment available
BLANCH & ASSOCIATES Seattle	Arthur Nolan (206) 623-1023	custom-house brkr	TL, LTL, air brkr, pool dist, consol, consult, whse, fwdg	property broker	
L.W.T., INC. Glendora, Calif.	(213) 335-6664	brokering TL & LTL freight	air broker, pool dist, warehousing, consult, consol	20-state gen'l commodity	40', 45' vans
JOHANSON TRANSPORTATION SERVICE Fresno, Calif.	R. Johanson, president (209) 486-0540	brokering TL freight		property broker/1981	all types except tank trucks
B & R TRUCK BROKERS, INC. Central Point, Ore.	Gary or Wes (503) 773-3993	brokering TL freight	LTL brokering	broker's license/April 1981	flatbeds, vans
REFRIGERATED DISTRIBUTION SERVICES, INC. Placentia, Calif.	J. G. Shaw, gen'l mgr (714) 993-9700	brokering TL freight	LTL, air brkr, consulting	property broker, contract carrier	reefers, vans
ROCKY MOUNTAIN NATIONAL TRANSFER Denver	Gary Howie (303) 355-4698	brokering LTL freight	brokering TL freight, consolidating	property broker, 1982	all types
H. C. SCHMIDT PRODUCE Springdale, Ariz.	Phil Owens, mgr truck (501) 751-4602	brokering TL freight	produce broker	gen'l comm carrier/April 1983	reefers, vans
T/24 FREIGHT SALES INC. Modesto, Calif.	Ed Heyman, president (209) 545-1101	brokering TL & LTL freight		property broker/Nov 1980	reefers, flatbeds, vans
TRAILER EXPRESS Seattle	Dick Jones (206) 282-1640	brokering TL & LTL freight	consulting, consolidating, TOFC service	property broker	reefers, flats, vans, containers
TRANS-ACTIVE INT'L TRUCK & TRANSPORTATION Huntington Beach, Calif.	Arlie Beery (714) 842-1000	brokering TL freight	LTL, air broker, consulting	property broker	reefers, flats, vans
TRUCK DESIGN SERVICE, INC. Fresno, Calif.	Tom Kourafas, vice president (209) 486-7920	brokering TL & LTL freight		property broker/Jan 1982	reefers, flatbeds, vans
UNITED CALIFORNIA FREIGHT CORP. Merced, Calif.	Ken Moore (213) 303-3551	factoring of freight billings			
VAN FLY WEST, INC. West, Calif.	Nick, Sandy, Roy (213) 704-4768	brokering LTL freight	consolidating, warehousing	property broker/Oct 1982	reefers, vans

NORTHEAST

(Canada, Conn., Mass., Me., N.J., N.H., N.Y., Pa., R.I., Vt.)

B & B TRUCK SERVICE, INC. Trenton, Pa.	Dan Storm (215) 384-3340	brokering TL freight	LTL brokering, consolidating, warehousing	property broker/Feb 1983	flatbeds, vans
ALL TRANSPORTATION CO., INC. Bridgewater, N.J.	Betty Sendziak (201) 782-3904	gen'l commodities carrier	TL, LTL & air frt, pool, whse, fwdg, consol, consult	common carrier/'83, brkr/'83	van, flat, bulk, protective
TARKS GROUP, INC. York, Pa.	Harris Brown, president (717) 655-9601	freight forwarding	customs brkr, foreign air, ocean forwarding	property broker	all types
THE COB CORP. Pawcatuck, Conn.	S. Hurvitz, president (617) 623-5620	warehousing	brokering TL freight, pool distribution	broker	vans
NATIONAL TRANSPORTATION SERVICE, INC. Bridgewater, N.J.	Janet Gohlke, oper mgr (201) 634-2300	brokering TL freight	consulting	broker's license, May 1983	reefers, vans
DAVIDSON TRUCK SERVICE, INC. Bridgewater, N.J.	Michael Dammer (800) 645-7210	brokering LTL freight	TL, air broker, warehousing	household goods/1963	air-ride padded vans
DAVIDSON TRUCK SERVICE, INC. Bridgewater, N.J.	James J. Maloney (215) 331-7000	brokering TL freight	LTL brkr, consol, consulting, whse, pool dist	property broker/1979	most types
DAVIDSON TRUCK SERVICE, INC. Bridgewater, N.J.	Joseph Dawson (215) 368-0670	brokering TL & LTL freight	consulting	property broker	reefers, flatbeds, vans

Commodity or industry specialties	Regional specialties	No. of carriers brokered to in '83/ top 3 (if given)		No. of shippers brokered for in '83/ top 3 (if given)		Total movements in '83	Total tonnage in '83	No. of employees	Computer capabilities?
retail	midwest	25	PIE IML Consol Freight	200	American Motors American Honda Contec Electronic	over 750	75M lbs	40	yes
general freight	east	4				over 751		32	no
general freight	nationwide					7000		21	yes
general freight	nationwide	750	E. W. Wylie Arlo Lott Cardinal	450	Cascade Empire United Lumber Jeld-Wen	6000		16	yes
electronics, health care, chemical	Southern Calif to AR and TN	14		6		101-250	1300 tons	4	yes
general freight	Rocky Mtns.	14	CKM ICX WNI	67		over 751		5	yes
retail	nationwide	150		20		251-500		35	yes
general freight	nationwide and Canada							8	yes
general freight	nationwide					5000			yes
retail	nationwide	18	Inway/Div IU Melton Truck Int'l Trans	20	Toyota Hydro-Spa Cambridge-Lee		12M lbs	3	no
general freight	west					over 750		14	no
								15	no
retail, wholesale	CA east to Chicago, north to MD	60		40		over 750	5M tons	3	yes
general freight	eastern US	31		78		over 750	62.5K tons	5	no
general freight	nationwide	2		373		900	1750 tons	85	yes
general freight	nationwide	10		100		over 750	1000 tons	9	yes
retail	mideast, middle-south							10	no
general freight	east to midwest, midsouth	53		39		501-750	27K tons	5	yes
high tech	nationwide					1-100	5000 tons	50	yes
general freight, bulk	nationwide	40		80		4000		4	yes
general freight	Pa-N.J.-Del							12	no

Co. name, location	Principal contact	Primary business	Other services	Authorities held	Equipment specialties
DOWNSOUTH INTERNATIONAL Mississauga, Ontario	Spencer Dunn, president (416) 272-4332	brokering TL freight	LTL brkr, consulting	property broker/May 1983	reefers, flatbeds, dump trucks
GRANITE ENTERPRISES, INC. New Haven, Conn.	Don Dillon (203) 874-1341	brokering LTL freight		property broker	45' vans
INTERCITY LINES, INC. Hardwick, Mass.	David M. Wilson (413) 967-3066	brokering LTL freight	TL broker, con- solidating, auto- mobile transport	broker & common carrier/ 1981	reefers, vans
INTER STATE EXPRESS INC. Brooklyn, N.Y.	Marvin Rosenberg (212) 387-8700	freight forwarding	TL, LTL broker, consolidating, consulting	frt fwdg/ 1936, frt brkr/1982	vans
LA FLEUR'S TRUCKING SERVICES, INC. Manchester, N.H.	Jerald Larson, dir/ops (603) 625-2840	brokering TL freight	LTL, air broker, warehousing, consult, consol	broker, con- tract carrier/ April 1982	reefers, flatbeds, vans, drops
MEL LOESER ASSOCIATES, INC. West Orange, N.J.	Mel Loeser (201) 736-3804	brokering TL freight	LTL brokering, warehousing	property broker/March 1981	reefers, flats, vans dump trucks
ROSE MARCHESANO & ASSOCIATES Garden City, N.Y.	Rose Marchesano (516) 248-4688	consulting	TL, LTL brkr, con- sol, frt fwdg, warehousing	broker's license/ March 1983	most types
TRUCKMAKER TRANSPORTATION SERVICES, INC. Trumbull, Conn.	Jim Skane, president (203) 268-6153	brokering TL freight	consulting	broker	reefers, flatbeds, vans, bulk
SAKAMURA TRANSPORTATION CONSULTANTS New York	Alexander Smirnov (212) 632-0659	brokering LTL freight	TL, air brkr, pool, consult, whsing, shipper's agent	gen'l comm broker/1982	all types
STANZOL, INC. Cathay, N.J.	E. H. Stanz, president (201) 635-8616	brokering TL freight	warehousing, cus- toms consult, ocean charter, barging	transport broker/Nov 1983	
TRANSTOP, INC. Boston	Don Wright, vp, gen'l mgr (617) 268-4720	brokering LTL freight	TL broker, pool dist, warehousing, consol, consult	property broker/1968	reefers, vans
J. A. TUCKER CO. Westville, N.J.	Bill Tucker (609) 456-2000	brokering TL freight	consult, consol, hvy haul, irreg routes (incl Can.)	brokers license/1961	all types
VALLEY DISTRIBUTING AND STORAGE CO. Lafayette, Pa.	John Karezewski (717) 654-6730	warehousing	TL, LTL broker, consolidating, pool distribution	broker's license/1983	flatbeds
VENTEX ASSOCIATES TRANSPORTATION, INC. Rochester, N.Y.	Wayne Parry (716) 334-2813	brokering TL freight		broker's license	reefers, flatbeds, vans
WERN TRANSPORTATION SERVICES Alhambra, Calif.	George Weir (617) 849-1778	household goods brokerage	TL broker, whse, distribution, international	gen'l comm broker	padded vans

MIDWEST

(Ia., Ill., Ind., Kans., Mich., Minn., Mo., Neb., N.D., Oh., S.D., Wis.)

ANDERSON TRANSPORT North Kansas City, Mo.	Gary Bain, president (816) 455-1118	brokering TL & LTL freight	consulting, freight payment	property broker	reefers, vans
ASHLEY GROUP LTD. Greenland, Wis.	Al Lemke (414) 271-9565	brokering LTL freight	TL frt, frt fwdg, consult, consol, pool dist, containers	property broker/1978	general
BLAIR TRANSPORTATION SERVICES, INC. St. Louis, Mo.	Dave Blair, reg mgr, (612) 450-1222	brokering TL freight	LTL frt, consult, pool, whse, fwdg, air frt, consol	prop brkr/'74, motor carrier opr auth/'78	most types
BRUNNEN TRANSPORTATION St. Louis, Mo.	Darlene, Fern (701) 772-6681	brokering TL freight	LTL brkr, trip- leasing, consol, licensing	48-state gen'l commodity/'82	reefers, flatbeds, vans
CHRYSLER TRANSPORTATION St. Louis, Mo.	Thomas Corbett (216) 433-7711	brokering TL freight	LTL broker, pool dist, consulting, consolidating	property broker/1981	
HERB KOTZEN St. Louis, Mo.	Herb Kotzen, vice pres (612) 937-8500	brokering TL freight	LTL brokering, consulting	general comm motor carrier/ 1972	reefers, vans

Community or industry specialties	Regional specialties	No. of carriers brokered to in '83/ top 3 (if given)	No. of shippers brokered for in '83/ top 3 (if given)	Total movements in '83	Total tonnage in '83	No. of employees	Computer capabilities?		
	nationwide	125	TNT Services LAIDLAW Fredericks	170	Anthes, Inc. U.S. Steel Dominion Nickel	3600	57.6K tons	9	yes
manufac- turing	New England	3		25		251- 500		3	no
food, paper, plastics	New England to over 500 miles	30		12		501- 750		7	yes
retail, general freight	NY, NJ, Conn to west and south	3	Oneida Pilot Inway	7		over 750	4M tons	4	no
retail, general freight	nationwide specializes in East	75	CDL Transport Rush Transport	116		over 751		8	yes
department store-mfg	northeast, southeast, midwest	27				over 750		1	no
general freight	nationwide and Italy, Switzerland	42	P. Marckesano Matlack Graebel Van	19	MAC-USA Hanley Brick Lomar Sales	251- 500		4	yes
retail, chemicals, bldg mat'l	nationwide and Canada	45	Prime CCC Navajo	20	Woolworth Penney Amer Cyanamid	3500		6	no
pharmaceut- icals, bus- iness equip	nationwide	62	Transus Bass Transport Profit Freight	58	Savin Corp A.M. Intl Amersham Corp	over 750	15K tons		yes
bulk	great lakes, east & gulf coasts	0		0		-0-		1	yes
general freight, food	New England, NJ, NY, PA, midwest	25		300 to 400		72K	250M lbs	12	yes
general freight	nationwide	75		300		over 750	100M- 200M lbs	12	yes
retail	east coast, midwest	15		6		101- 250	5K tons	3	yes
general freight	nationwide	35	Countrywide March Trans Barnes	25	Mobil Chemical Xerox Bausch & Lomb	over 750	200M lbs	5	yes
general freight	internat'l		Red Ball UVL Agent Movers			251- 500		2	no
general freight	nationwide	17		100		over 750	96M lbs	3	yes
retail	north central	10				501- 750		3	no
general freight	internat'l	14		336		26K	241M lbs	39	yes
bldg mat'ls, food, paper	nationwide	325		250		3000	45K tons	7	yes
		15		50		251- 500		5	yes
retail, food	nationwide	1000		1000			1800 tons	450	yes

Co. name, location	Principal contact	Primary business	Other services	Authority held	Equipment specialties
FRANKY TRANSPORT CONSULTANTS Baltimore, Md.	John Ferree (219) 932-6264	brokering TL freight	consulting, warehousing	broker/July 1982	reefers, flatbeds, vans
J. S. FLETCHER ASSOCIATES, INC. Arlington Heights, Ill.	Bob Flaa, president (312) 398-2607	brokering TL freight	brokering LTL frt, consolidating	property broker/Nov 1983	
PERMIT DATE SERVICE CO. Kansas City, Mo.	Jim L. Starkebaum (816) 471-6141	freight bill post-audit	TL, LTL, air brkr, consult, consol, pool dist, billing	property broker	reefers, flatbeds, vans
NSA INTERNATIONAL LIMITED Dearborn Heights, Mich.	Walter Rudin (313) 292-3350	brokering TL freight	LTL broker, pool dist, consulting, warehousing	property broker/June 1983	reefers, dropdecks, flats, vans
MIDWEST CONSOLIDATORS, INC. St. Paul, Minn.	Mike Abbott (612) 631-9041	brokering TL freight	LTL consolidation and distribution, warehousing	frt frwdr/ Jan '80, brkr June '83	reefers, vans
MO-ARK TRUCK SERVICES, INC. Raytown, Mo.	Mary Harvey (816) 737-3691	brokering TL & LTL freight	consolidating, consulting, back- haul coordination	broker/Feb 1983	reefers, vans
NATIONAL TRANSPORTATION CONSULTANTS, INC. Rockville, Md.	Hank Urycki (216) 526-2515	consulting	brokering TL & LTL freight, consolidating	contract carrier	all except bulk
POWER FREIGHT SYSTEMS, INC. Cathage, Mo.	Mark Shank, president (417) 358-1255	brokering TL freight	consulting, filing of author- ity applications	broker/Oct 1983	reefers, flatbeds, vans
RJW ENTERPRISES, INC. Woomersdale, Ill.	Ronald Williamson (312) 351-3060	brokering TL freight	LTL, air brkr, consol, consult, pool distribution	property broker/1981	reefers, flats, open tops, vans
RAYTRANS, INC. Hammond, Ind.	Terry Erny, oper mgr (219) 937-1403	brokering TL freight	consulting, warehousing	broker/1983	flatbeds
SMALL SHIPMENT EXPRESS Sioux Falls, S.D.	Bruce Brown (312) 677-4708	brokering LTL freight, pool dist	small shipment delivery	general commodity	small trucks
SPONGER'S MOVING CO., INC. St. Louis	D. R. Tagnoni, gen'l trf mgr (800) 325-7171	freight forwarding	TL brokering, consolidating, dist, forwarding	property broker, 1982	flatbeds, vans
TBS BROKERAGE, INC. Des Plaines, Ill.	Michael Chromcik (312) 298-8800	brokering TL freight	brokering LTL, pool distribution, consol, consult	property broker	reefers, vans
TRAFFIC ARMT SERVICES, INC. Chicago	D. J. Hickey (312) 890-0660	brokering LTL freight	TL brokering, consolidating, consulting	freight broker/1983	flatbeds, vans
TRAN-SAFE, INC. Canton, Oh.	Alan Singer (216) 494-9435	brokering TL freight	LTL, air broker, consulting, frt forwarding	property broker/1983	general
TRAN-SPIC CORP. Macedonia, Oh.	Vince Koster, president (216) 468-0404	brokering TL freight	LTL broker, whse, consolidating, consulting	contract carrier/1982	reefers, flats, vans, lowboys
UNION PACIFIC FREIGHT SERVICES CO. Omaha, Neb.	M. J. Glen, (800) 874-7229	brokering TL freight		property broker/1982	reefers, vans
WICKMAN TRAFFIC SERVICE, INC. Wichita, Kan.	Charles Wickman (312) 246-9090	brokering TL & LTL freight	consulting, frt forwarding	property broker/1980	reefers, flatbeds, vans

SOUTH/SOUTHWEST

Ala., Ark., Del., Fla., Ga., Ky., La., Md., Miss., N.C., Okla., S.C., Tenn., Tex., Va., W.V.)

ANDERSON & SONS BROKERS, INC. North Little Rock, Ark.	C. Brinkley (501) 375-1324	brokering TL freight	whse, pool dist, consol, consult.	contract 48- state, 1981	reefers, flatbeds, vans
PEAR TRUCKING CO. Dallas	Andy Pierce, gen'l mgr (214) 239-3095	brokering TL freight	contract gen'l commodity carrier	contract gen'l commodity	reefer, van
CERTIFIED SHIPBOARD SERVICES, INC. Dallas	A. Wagonhouser, mgr oper (800) 233-0624	brokering TL freight	LTL frt, consol, intermodal dist	brokers license trucks	vans, tank

Commodity or industry specialties	Regional specialties	No. of carriers brokered to in '83/ top 3 (if given)		No. of shippers brokered for in '83/ top 3 (if given)		Total movements in '83	Total tonnage in '83	No. of employees	Computer capabilities?
chemical, steel, paper, plastics	nationwide							5	yes
food, chemical	nationwide	8		26		251-500	5500 tons	3	no
general freight	nationwide							29	yes
wholesale, retail, mfg. food	east, south, midwest, southeast	75		30		over 750	45.5 tons	7	no
general freight	nationwide and Canada	120		400		1500	46M lbs	10	yes
general freight	nationwide	40 to 50	TDS Transport Trinity Paper Northstar Trans	36		1500	60M tons	3	yes
general freight	nationwide including AK and HI	5		5		over 750		6	no
mfg goods, raw mat'l, groceries	nationwide	36	Shower Truck TJS Trucking K & H Trucking	21	Helena Chemical Assoc Grocers Leggett & Platt	501-750	19M lbs	4	yes
food, paper, plastics	Chicago, Wisc, Ind	80	Prime Crete Carriers Ace Trucking	175	Willy Wonka Candy Ozite Corp Motorola	over 750	108M lbs	8	no
steel	northeast	5		41		26K		1?	yes
general freight	Chicago & northern Illinois					over 750		30	no
retail, industrial	nationwide	10		50 to 60		1300	30M lbs	300	no
retail, grocery	from SE/NE to points in U.S.	17		128		over 750	30M lbs	11	yes
chemical bulk/pkgd	nationwide			15		251-500	750K tons	9	no
general freight	nationwide	15	Action	30	Amltome MSAS Westinghouse	101-250	3M tons	3	no
general freight	nationwide	30		55		over 750		4	no
general freight	eastbound, northbound			200		over 750	200K tons	4	yes
retail		350		18				4	yes
general freight	nationwide	75		38		251-500	6M tons	3	yes
retail	nationwide	1260		100		2000	84M lbs	4	yes
general freight	middle Atlantic	30	Contract Cargo Ferree Transshield	58	Owens Corning Purux Western Electric	6000	100K tons	5	yes

Company Name	Principal Contact	Primary Business	Other Services	Authority Held	Equipment Available
Buryl S. Martin (804) 798-1477	brokering TL freight			brokers license	reefers, flatbeds, vans
Darvin Kuehl, president (800) 237-9617	brokering TL freight	heavy & special- ized transport, rigging, whse		property broker/Dec 1981	flatbeds, lowboys
Tom Van Sandt (205) 326-0490	brokering TL & LTL freight	consol, consult, frt fwdg, bulk mat'l's handling		48-state gen- eral commodity Feb 1983	all types
Wayne H. Theus, pres (405) 722-4210	brokering TL freight	consulting		property brkr, common carrier	flatbeds, dry bulk, tanks, vans
Jack Flowers, president (305) 625-2123	brokering TL freight	LTL, air broker, consolidating		property broker/Feb 1982	reefers, flatbeds, vans
Mike Parrett (601) 842-7815	brokering TL freight	LTL, air, piggy- back brkr		broker/July 1982	reefers, flatbeds, vans
Stephen McKenna (404) 452-7903	brokering TL freight	LTL brkr, air frt consolidating, consulting, ocean		brokers license/Nov 1980	flatbeds, vans
Mike Thielke, int'l mgr (800) 336-4533	freight forwarding	brokering, ware- housing, consol- idating			flatbeds
Andrew T. Flanagan (404) 928-0322	brokering TL freight	LTL brkr, consulting		48-state common irreg route	reefers, vans
Jack Jones, president (800) 554-6704	brokering TL & LTL freight	air brokering, pool distribution, consult, consol		property broker/July 1982	vans railcars, piggyback
Dale Ballard, president (405) 236-4402	brokering TL freight			general commodities/ Nov 1980	reefers, flatbeds, vans
Roy Martin (205) 350-6611	brokering TL freight			general commodities/ Aug 80	reefers, vans
Victor L. Vaughan (615) 360-1180	brokering LTL freight	consolidating, warehousing, consulting		general commodities brkr/June '83	45' & 48' dry vans
Paul Caplinger (318) 222-7661	brokering TL freight			motor carrier/ April 1983	flatbeds, vans
Harland Smith (501) 735-7500	brokering TL freight			property broker/April 1982	reefers, vans
Oland Barnes, president (919) 237-5781	brokering TL & LTL freight	pool dist, whse, consol, consult, freight analysis		property broker/1968	reefers, vans
John Anderson (800) 345-8137	brokering TL freight	LTL, air broker, consulting, frt forwarding		motor carrier/ Nov 1980	reefers, flats, vans, specials
Mark Bays (919) 272-9064	brokering TL freight	LTL, air brkr, fwdg, pool dist, whse, consol, consult		property brkr/ '82, contract carrier/'83	45' high cube vans
Ken Davis, brkrage mgr (205) 939-1516	brokering TL freight	LTL broker, sales, consulting, tariff publication		property broker	all types
Thomas Banks (405) 789-9544	brokering TL freight	custom designed transportation programs		property broker/1980	vans
Mary Perkins, sales (404) 968-1206	brokering TL freight	brokering LTL freight, pool dist, consolidation		property broker, 1980	reefers, flatbeds, vans
Charles Chapman, vp (803) 665-8685	brokering TL freight	trucking		broker/1981, contract carrier	flatbeds
Bill Cantillon (305) 725-3611	brokering TL freight	trucking, freight forwarding		motor carrier/ 1981	flatbeds, vans

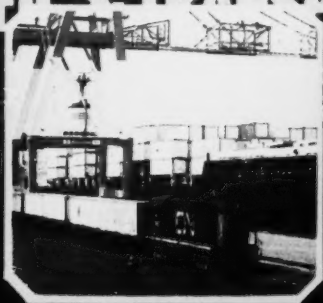
general freight	nationwide	94		32		over 750		5	no
industrial plant machinery	nationwide	25	Farm Ser & Sup Todd Trans Melton Truck	100	General Motors American Stair Park Rubber	over 750	9.6M tons	5	no
bulk mat'l	Alabama ports	23	Chem-Haulers Carthage Lane Trucking	51		over 750		5	no
general freight	nationwide	26	Melton Truck Brown D & L	43	Kerr McGee Corp Ralston Purina National Can	251-500	10M tons	2	yes
general freight	nationwide	300		210		over 750	3.5M lbs	4	yes
general freight	nationwide	18		25		501-750		8	no
intermodal, ocean gen'l freight	east of Miss. and Texas					1500	55.2M lbs	6	no
HHG, gen'l freight	internat'l							250	yes
retail				16				4	no
general freight	nationwide	100	Neely Thurston RCA	100,000	P & G Mobil Chemical Durkee Foods	5000	1M tons	5	yes
HHG, bulk, explosives	nationwide	3		20		2000	80M lbs	3	yes
general freight	nationwide	50		100		1000	40M tons	5	yes
auto parts	nationwide	53	Crete Carrier Conalco MMT Trucking	12	Maremont Corp Worldparts Perfect Equip	over 750	110K tons	21	yes
general freight	nationwide	15		200		251-500	8K tons	3	no
general freight	middle-south					101-250		2	yes
retail	nationwide	50	RTC Wingate A&G	24	Eljer Plumbing Kemp Furniture Union Carbide	101-250	3M lbs	7	yes
retail, mfg products	eastern PA, NYC, NJ, CT, DE	125	Service Leasing Great Coastal MS Carriers	75	Lionel Leisure Woolworth Gottesman	1500	45M lbs	10	yes
general freight	internat'l	872	Bonney Schneider	257	Triad Plastics Tile Source Schlitz Brewery	over 2000	21K tons	10	yes
food, paper, hardware	nationwide	60		40		101-250	7M lbs	10	yes
industrial	nationwide	15		25		101-250	48M lbs	1	no
general freight	nationwide	60	Bowman Trans Jones Trucking Neely Trans	150		over 750		10	yes
flatbed freight	east coast	100		100		over 751	147M tons	7	yes
general freight	Florida, Ohio, California	77		14		101-250	250K lbs	150	yes

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Big things from small airlines



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DIALOGUE

In January, we asked you about the regulation of hazardous materials in this country. Most responses painted a picture of a hydra—a many-headed monster that, whenever one head is cut off, would sprout two more. Here is how you described the monster:

"It's very confusing. There are too many agencies involved. And as strong as international regulations are, nobody pays any attention to them."—**Roberto Campo, export manager, Florasynta Inc., Teterboro, N.J.**

"The present DOT regulations are efficient, but the inconsistency of several states only creates chaos."—**Rick Rose, transportation manager-hazardous materials, IMC, Mundelein, Ill.**

"Industry must work to dispel the public's fear of chemicals with positive action, or we will continue to see the proliferation of state and local restrictions."—**R.A. Christman, director-distribution, Mobay Chemical Corp., Pittsburgh.**

"Uniform regulations uniformly enforced are key. Regulations (49 CFR) must be simplified, not made more complex."—**Dick Votaw, transportation safety and regulations manager, Dow Corning Corp., Midland, Mich.**

"We have too many governing bodies regulating hazardous materials; one department should control all phases of all movements."—**Charles Lahoski, distribution supervisor, Wellan Chemical Inc., Newell, Pa.**

"Regulations are too complicated; there are too many government jurisdictions involved; and they are too costly."—**Richard Campanella, manager of distribution, Lithonia Downlighting Products, Vermilion, Oh.**

"I think the overall regulation of hazardous material movements in this country is screwed up. There is no control or proof of competence required for hazardous materials shippers, exporters, carriers or forwarders. The regulations are too broad and too complicated. And there is no classing or grading of hazardous material shippers. The Dows and Du Ponts have knowledge of the regulations and train their staffs. But those regs also apply to small or new shippers who don't even know what a 49 CFR or IMDG Code is! We're expecting shoemakers to be brain surgeons."—**Ron Bohn, hazardous materials manager, Hapag-Lloyd Agencies, New York.**

continued

QUESTION OF THE MONTH

There's a time and a place for everything. And there's no doubt that private trucking can be a boon to certain businesses in certain circumstances. The question is, just what are those circumstances?

"Toto" authority and trip-leasing have whetted the appetites of many shippers who had always thought it might be nice to have tighter reign over their freight while in transit. But at the same time, competition among for-hire carriers has brought price cuts and new service options that make them drool, too.

The decision to go private is essentially a financial one. If the private fleet cannot pull its own weight, it will be very hard to justify its existence to upper management. But in the gray area where the disparity between the costs associated with a private fleet and the rates of common carriers is small, other factors, such as service, can make the difference.

Where do we stand now? Do increased common carrier abilities offset new private carriage opportunities? When, and for whom?

On the Dialogue card below, let us know how private carriage stacks up against for-hire trucking for your company's distribution operations.

DIALOGUE

Deregulation has made private carriage (more/less) attractive (circle one).

A continued resurgence of the economy will make private carriage (more/less) attractive in relation to for-hire trucking (circle one).

Rank the most important benefits of private trucking from 1 (highest) to 5 (lowest): _____ Customer relations; _____ Quality of service; _____ Cost/profitability of service; _____ Marketing tool; _____ Specialization of equipment.

The greatest difficulty in operating a private fleet is (check one only): _____ Labor/union negotiations; _____ High initial investment; _____ Terminal maintenance; _____ Vehicle repair/maintenance; _____ Hiring.

The most pronounced difference between for-hire and private is in the area of: _____ Quality of equipment; _____ Quality of driver; _____ Cost; _____ Dependability; _____ Incidence of loss/damage.

I (will/will not) take advantage of the ability to trip-lease private fleet equipment and drivers to for-hire carriers (circle one).

Private carriage is not justified when:

OPTIONAL:

NAME (print)	TITLE
COMPANY	PHONE
ADDRESS	
CITY	STATE ZIP

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"The movement is progressing, but not quickly enough."—**Richard Ditrich, corporate traffic manager, Dezurik Co., Sartell, Mich.**

"Routing hazardous materials through populated areas instead of using interstates is wrong. CFR 49 is most confusing, especially with regard to radioactive materials."—**Richard J. Middlebrook, traffic supervisor, Nuclear Metals Inc., Concord, Mass.**

"The movement of hazardous materials in this country is, by far, adequately regulated. It's the enforcement of and training in hazardous materials regulations that I have great concern with at all levels—federal, state and local."—**William Granville, transportation analyst, FMC Corp., Philadelphia.**

"Considering the complexity of the issue, the overall regulation offers protection of the public good."—**E.J. Zell, supervisor of traffic, Solar Turbines Inc., San Diego.**

"Companies dealing in quantities are professionals. The danger comes from shippers that have small, infrequent movements."—**H. Nicholls, traffic manager, R.R. Donnelley, Warsaw, Ind.**

"We need less government regulation on one hand and more responsible people running companies who care what happens with this waste."—**John Slekis, buyer, Jet Spray Corp., Norwood, Mass.**

"I think the overall regulation could and should be improved by stricter enforcement and stronger penalties for violators."—**Vick Channel, distribution center manager, Safelite Div., Enfield, N.C.**

"There's been nothing 'new' in the past ten years, and there's less enforcement today."—**Bill Little, director-purchasing, Universal Resources Corp., Dallas.**

HAZARDOUS MATERIALS

The best proposal separates federal/state/local responsibilities 39%
National standard and training of local enforcers would be best 29%
A committee couldn't resolve national regulatory issues 61%
The DOT should adopt UN standards for Haz Mat packaging . 41%
The DOT should partially adopt those standards 41%
My views are heard and responded to by regulators 46%
My views are not heard and responded to 46%
In the past year, enforcement has been unchanged 54%
Enforcement has been tougher 27%
I have never violated hazardous materials regulations 68%
I have violated the regulations 20%



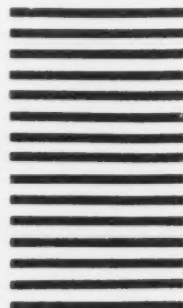
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STATE TAXES AND HIGHWAY REGULATIONS

There are three sure signs of spring: tulips, robins and our annual roundup of state taxes and motor vehicle fees. This year we've not only updated the numbers, but also the key questions that are addressed by our survey.



This latest roundup of state taxes and highway vehicle regulations and fees differs in several ways from last spring's first installment. This is due in part to the discontinuation and lack of availability of reports containing the statistics that went into that first summary; but primarily, it's a result of the displacement of some of last year's stats to allow greater emphasis on regulations not covered in depth in the first chart.

Principle among these are the statistics relating to reciprocal taxing and third-structure taxes imposed on traffic between certain states, and the degree to which states have either spurned or indulged in their ability to tax corporations. This year's update also includes size and weight restriction information. Such information is of vital importance to the transporta-

tion manager, and a rundown of the policies of all of the contiguous states is necessary to get a full picture of what distribution costs and limitations will be, because regulations enforced in a neighboring state could have even more of an impact than those in your own home state. For example, for a shipment originating in New England and destined for the Midwest, it will be difficult to avoid routing it through Pennsylvania. Thus, the rules and regulations within that state become a prime concern to all shippers coming out of, or going into, the Northeast.

In recent years, the regulation and deregulation of highway transportation within each state as well as on a federal level has become a growing concern to the interstate shipper. The intricacies and ever-changing nature of these develop-

ments make the trends impossible to integrate into a chart such as this. Nevertheless, to neglect a careful look at this important subject would be to leave an incomplete picture of how the states have an impact on the fate of your transportation dollar. This will be done in an upcoming issue, in a feature-length article, which will complete this year's look at state taxes.

Finally, it should be noted that the nature of the subject makes a completely up-to-date survey impossible. Most of the studies conducted by government agencies and independent groups alike are superseded by new developments even before the results are collated. These figures are intended to provide a basis for comparison between the states, not as a handbook on current costs.

continued

	Average hourly manufacturing wage ¹	State corporate income tax efforts and capacities ²	Motor vehicle registration tax effort index ³	General state tax performance ⁴	Motor fuel tax levels ⁵	Reciprocity agreements ⁶	Third structure taxes ⁷	Single unit basis of fee
ALABAMA	7.74 41.6	44.65 71.3 -75.8	45.6	91 114	11.00 12.00 +*	MRA IRP		Gross weight groups
ARIZONA	8.99 42.1	46.08 73.6 -2.2	86.2	106 95	12.00 12.00 1¢	IRP UPA		Flat fee + gross weight
ARKANSAS	7.24 40.7	47.93 76.5 -29.4	106.6	79 101	9.50 10.50	IRP		Gross weight groups
CALIFORNIA	9.36 41.1	66.77 101.8 1188.2	74.6	100 86	9.00 9.00 +*	UPA		Flat fee + weight fee
COLORADO	9.21 41.3	73.44 117.3 -114.2	69.3	84 88	12.00 13.00 D+	IRP UPA	Primary	Empty weight
CONNECTICUT	9.04 42.5	67.49 107.8 37.2	129.5	103 100	14.00 14.00 +			Gross weight
DELAWARE	9.23 42.3	90.66 143.8 -21.0	166.2	87 108	11.00 11.00 +			Gross weight
FLORIDA	7.44 42.4	44.76 71.5 -53.3	97.2	73 100	9.70 9.70 .	MRA		Flat fee + empty weight
GEORGIA	7.30 42.3	50.03 79.9 -26.6	34.1	79 109	7.50 7.50 +*	MRA		Gross weight
IDAHO	9.14 37.5	45.33 72.4 7.4	103.6	87 97	14.50 14.50	IRP UPA	Limited	Gross weight groups
ILLINOIS	9.98 41.9	67.03 107.0 66.7	162.0	105 108	11.00 13.50 1¢*	IRP UPA		Flat fee + gross weight
INDIANA	10.37 42.5	60.37 96.4 -175.2	74.3	88 106	11.10 11.10 C+*	MRA		Factory price groups

¹The first figure indicates average wage in dollars/hour. The second figure represents average total of hours worked by production workers per week. Source: Bureau of Labor Statistics.

²This column profiles the "tax capacity" of each state for levying corporate income taxes. This measures the level of economic resources in a state, that are potentially taxable, whether or not they are actually taxed. The first figure is the tax capacity per capita, in dollars. The second number is a "tax effort index," which is the ratio of a state's actual collections to its tax capacity. The third figure represents the difference between the actual corporate income tax revenues, and the relative state tax capacity, in millions of dollars. These figures are all based on the calculation of what each state would raise if it applied a nationally uniform set of rates, and indicate magnitude of the local burden of taxation and the direction of pressure for future tax rate adjustments. Thus a low tax effort indicates less burdensome tax policies, but a potential for future increases. Source: Congressional Information Service.

³This number is the tax effort index of the states for vehicle licensing and registration taxes.

⁴This column indicates the state's overall taxation "blood pressure." This is a measure of the tax effort as a percentage of the national average tax rate, and the trends in tax levels since the base year of 1977. Thus, 112/80 indicates a tax burden 112% of the average tax effort, and a decline in tax effort of 20% since 1977. This figure provides a means of predicting the future course of a state's tax policy.

⁵These figures represent the state taxes on the use of gasoline and diesel fuel respectively, in cents per gallon. A plus or minus in the final line indicates a strong likelihood of an increase or decrease, respectively, in the tax levels during the 1984 legislative year. A monetary figure (either 1¢ or 2¢) indicates an authorized tax increase to take effect during 1984. Asterisks indicate that local and/or other sales or miscellaneous taxes are also levied, in addition to the rates listed. Source: Highway Users Federation.

⁶This column identifies the states that adhere to the various major reciprocal taxing agreements. The abbreviations used are: MRA, Multistate Reciprocal agreement; IRP, International Registration Plan; and UPA Uniform Proration Agreement. Source: Chilton's Commercial Carrier Journal's "Rules & Regulations."

VEHICLE REGISTRATION⁷

Tractor/trailer combination: basis of fee:		Average state and federal user fees paid/truck (\$) ⁸	Highway vehicle size limits ¹⁰	Highway vehicle weight limits ¹¹	State corporate income tax rate (%) ¹²	State inventory tax methods ¹³	Worker profile ¹⁴	
Tractor	Trailer							
Gross weight	Flat fee	293.86	13'6" 96" 60'	80 (-)	5.00	exempt	334.6 71.1	ALABAMA
Flat fee + gross weight	Flat fee + gross value	298.48	13'6" 96" 65'	80	2.50 10.50 7	exempt	157.6 57.1	ARIZONA
Gross weight of combination	Flat fee	292.05	13'6" 102" 60'	73.2	1.00 6.00 5	avg. value	205.9 44.0	ARKANSAS
Flat fee + weight fee	Flat fee + unladen weight	286.92 (+)	13'6" 96" 60'	80	9.60	exempt	1,918.6 543.3	CALIFORNIA
Empty weight	Flat fee	235.77 (+)	13'0" 96" 70'	80	5.00	lower rate	183.8 85.4	COLORADO
Gross weight of combination	Flat fee	428.35	13'6" 102" 60'	80	10.00	exempt	411.8 61.7	CONNECTICUT
Gross weight	Gross weight	341.09	13'6" 96" 60'	80 (-)	8.70	no tax	68.1 11.3	DELAWARE
Gross weight of combination	Flat fee	245.61	13'6" 96" 55'	80	5.00	exempt	494.3 234.7	FLORIDA
Gross weight	Flat fee	246.20	13'6" 96" 60' (±)	80 (±)	6.00	as other property	515.0 149.4	GEORGIA
Gross weight of combination	Flat fee	253.50	14'0" 102" 65'	80	6.50	exempt	50.5 18.7	IDAHO
Flat fee + gross weight	No fee	340.69	13'6" 96" 60'	73.2	6.50	no tax	988.8 267.3	ILLINOIS
Gross weight of combination	Flat fee	289.75 (+)	13'6" 96" 60'	80 (-)	6.00	avg. value	582.4 102.4	INDIANA

⁷Third structure taxes are generally of two kinds; a primary weight distance tax imposed against out-of-state vehicles, and secondary taxes, established mainly in retaliation against states imposing a primary weight distance tax. Source: Commercial Carrier Journal.

⁸This series of columns lists the bases of fees for the registration of motor vehicles in the various states. The primary factors or variables which determine the cost of vehicle registrations are identified; in some states additional miscellaneous fees such as license plate and reflector fees are added. Source: Federal Highway Administration.

⁹Source: Highway Users Federation.

¹⁰Figures represent maximum vehicle height, width, and length for a semi-trailer. Other trailers or combinations are restricted by different length limits. A plus or minus indicates a possible increase or decrease in size limits. Sources: Commercial Carrier Journal and Highway Users Federation.

¹¹Weight is in thousands of pounds. A plus or minus indicates nature of possible changes in limits during 1984. Sources: Commercial Carrier Journal and Highway Users Federation.

¹²Where more than one number is indicated, the first is a minimum rate, the second is a maximum rate, and the third is the number of incremental rates in total, based usually on revenue groupings. Source: Political Research, Inc.

¹³This column describes the general basis of assessing property taxes on inventories. The entries indicate whether: inventories are exempt from property taxes; inventory taxes are higher, lower or the same as taxes on other property; or if inventories are taxed on an average value basis. These descriptions indicate the general intent of state tax laws. Some states also exempt certain commodities or types of businesses from these taxes. Source: Commerce Clearance House.

¹⁴The initial figure represents the size of the manufacturing labor force, in thousands. The second indicates the size of the for-hire transportation labor pool available to serve the manufacturing businesses. Source: Bureau of Labor Statistics.

	Average hourly manufacturing wage ¹	State corporate income tax efforts and capacities ²	Motor vehicle registration tax effort index ³	General state tax performance ⁴	Motor fuel tax levels ⁵	Reciprocity agreements ⁶	Third structure taxes ⁷	Single unit: basis of fee
IOWA	10.17 40.3	56.07 89.5 -26.7	166.5	98 106	13.00 15.50 +	IRP UPA		Gross weight groups
KANSAS	9.54 39.9	66.88 106.8 -9.0	89.3	87 98	11.00 13.00	IRP UPA		Gross weight groups
KENTUCKY	9.19 39.9	54.80 87.5 -45.9	55.0	88 105	10.00 10.00 D+	MRA IRP		Gross weight groups
LOUISIANA	9.83 40.1	96.81 153.6 -147.7	54.4	77 97	8.00 8.00 +	MRA IRP		Gross weight per mile
MAINE	7.78 40.4	44.38 70.9 -11.1	116.3	113 112	14.00 14.00 D+			Gross weight groups
MARYLAND	9.17 41.5	47.29 75.5 -45.3	87.6	107 101	13.50 13.50	MRA		Chassis weight groups
MASSACHUSETTS	8.22 41.3	59.71 95.4 191.3	67.4	134 101	11.00 11.00			Gross weight
MICHIGAN	12.02 43.7	59.91 95.7 392.4	105.4	116 106	15.00 15.00 *	MRA		Gross weight groups
MINNESOTA	9.77 40.3	61.28 97.8 80.9	124.0	109 97	17.00 17.00 +	IRP UPA	Limited	Gross weight & age groups
MISSISSIPPI	6.98 41.5	44.96 71.8 -50.0	51.8	95 101	9.00 10.00 +*	MRA IRP		Gross weight
MISSOURI	9.11 41.0	53.73 85.3 -173.2	92.7	81 101	7.00 7.00 +	MRA IRP		Gross weight groups
MONTANA	10.64 39.4	59.63 95.2 5.6	93.0	92 98	15.00 17.00	IRP UPA		Flat fee + gross weight
NEBRASKA	8.81 41.0	51.26 81.9 -26.7	104.0	95 96	15.40 15.40 +	IRP UPA	Limited	Gross weight
NEVADA	8.96 40.5	53.79 85.9 -45.5	95.0	62 99	12.00 12.00 *	UPA	Primary	Empty weight
NEW HAMPSHIRE	7.68 41.3	55.87 89.2 5.0	90.4	74 101	14.00 14.00			Gross weight
NEW JERSEY	9.42 41.7	69.19 110.5 62.7	176.9	112 99	8.00 8.00 +	MRA		Gross weight
NEW MEXICO	7.76 40.3	59.40 94.9 -25.4	82.4	89 115	11.00 11.00 +	UPA	Primary	Gross weight groups
NEW YORK	9.10 40.3	61.28 97.9 1425.5	133.2	171 101	8.00 10.00 +*		Primary	Gross weight

VEHICLE REGISTRATION^a

Tractor/trailer combination:
basis of fee:

tractor

trailer

Average state and federal user
fees paid/truck (\$)^b

Highway vehicle size limits¹⁰

Highway vehicle weight limits¹¹

State corporate
income tax rate (%)¹²

State inventory tax methods¹³

Worker profile¹⁴

Gross weight of combination	Flat fee	320.98 (+)	13'6" 96" 60' (-)	80 (+)	6.00 10.00 3	avg. value	205.9 49.7	IOWA
Gross weight of combination	Gross weight groups	280.52	13'6" 96" 65'	80	4.50	avg. value	164.0 65.7	KANSAS
Gross weight of combination	Flat fee	297.16 (+)	13'6" 96" 60'	80	3.00 6.00 4	as other property	253.0 64.0	KENTUCKY
Gross weight per axle	Flat fee	271.11 (+)	13'6" 96" 65'	83.4	4.00 8.00 5	avg. value	190.3 122.0	LOUISIANA
Gross weight of combination	Flat fee	305.22	13'6" 102" 60'	80	4.95 6.93 2	exempt	106.3 17.8	MAINE
Gross weight of combination	Flat fee	406.10	13'6" 96" 55' (+)	79 (+)	7.00	avg. value	209.3 89.1	MARYLAND
Gross weight of combination	Flat fee	318.55	13'6" 96" 60' (+)	80 (+)	9.50	exempt	638.7 118.5	MASSACHUSETTS
Gross weight of combination	Empty weight	311.50	13'6" 96" 60'	80 (+)	2.35	exempt	932.8 136.5	MICHIGAN
Gross weight of combination	Flat fee	275.06 (+)	13'6" 96" 60' (-)	80 (-)	12.00	exempt	342.0 95.1	MINNESOTA
Gross weight of combination	Flat fee	334.38 (+)	13'6" 96" 60'	80	3.00 4.00 2	exempt	207.5 38.6	MISSISSIPPI
Gross weight of combination	Flat fee	252.07 (+)	13'6" 96" 55'	73.2	5.00	exempt	415.2 126.6	MISSOURI
Flat fee + gross weight	Flat fee + gross weight	251.31	13'6" 102" 65'	80	6.75	exempt	20.3 20.0	MONTANA
Gross weight of combination	Flat fee	310.09 (+)	14'6" 96" 65'	86.5	3.75 4.13 2	exempt	84.4 42.4	NEBRASKA
Empty weight	Empty weight	350.17	14'0" 96" 70'	80		exempt	18.9 24.4	NEVADA
Gross weight of combination	No fee	319.77	13'6" 96" 60'	80	9.06	exempt	115.7 15.1	NEW HAMPSHIRE
Gross weight of combination	Flat fee	448.68	13'6" 96" 55' (-)	80	9.00	exempt	714.6 200.4	NEW JERSEY
Gross weight of combination	Flat fee	333.79 (+)	13'6" 96" 65'	86.4 (+)	4.00 6.00 3	exempt	34.2 29.2	NEW MEXICO
Gross weight of combination	Flat fee	324.56	13'6" 96" 60' (+)	80 (-)	10.00	no tax	1,315.6 413.4	NEW YORK

	Average hourly manufacturing wage ¹	State corporate income tax efforts and capacities ²	Motor vehicle registration tax effort index ³	General state tax performance ⁴	Motor fuel tax levels ⁵	Reciprocity agreements ⁶	Third structure taxes ⁷	Single unit: basis of fee
NORTH CAROLINA	6.83 40.9	58.31 93.1 -67.2	80.3	95 108	12.25 12.25 +	MRA IRP		Gross weight
NORTH DAKOTA	7.84 38.5	67.99 108.6 -3.7	90.6	74 84	13.00 13.00	IRP UPA		Gross weight & age groups
OHIO	10.83 42.7	64.20 102.5 -201.5	138.2	89 112	12.00 12.00		Primary	Empty weight
OKLAHOMA	9.51 41.1	105.01 167.7 -196.8	123.3	73 100	6.58 6.50 +	IRP		Gross weight & age
OREGON	10.31 39.4	52.54 83.9 16.2	137.0	101 109	9.00 9.00	IRP UPA	Primary	Gross weight groups
PENNSYLVANIA	9.23 40.2	62.42 99.7 81.0	135.8	105 111	12.00 12.00 +*	IRP		Gross weight
RHODE ISLAND	7.04 40.6	50.56 80.7 2.2	96.9	130 114	13.00 13.00 .			Gross weight groups
SOUTH CAROLINA	7.19 41.8	47.96 76.6 0.7	51.2	95 110	13.00 13.00	MRA		Gross weight groups
SOUTH DAKOTA	7.08 42.6	39.82 63.6 -23.6	97.7	93 107	13.00 13.00 +*	IRP UPA	Limited	Weight groups & age
TENNESSEE	7.62 41.1	49.14 78.5 -31.6	94.4	87 105	10.00 13.00 S+*	MRA IRP		Gross weight groups
TEXAS	8.94 41.8	102.41 163.5 -1512.2	83.7	65 94	5.00 6.50	IRP		Gross weight groups
UTAH	8.81 40.6	50.52 80.7 -36.0	47.5	97 106	11.00 11.00 +	IRP UPA		Gross weight groups
VERMONT	7.85 41.4	45.97 73.4 -0.8	171.2	105 101	13.00 14.00 +			Gross weight groups
VIRGINIA	7.89 40.5	52.22 83.4 -101.2	116.8	90 102	13.74 13.74 .	MRA IRP		Flat fee + gross weight
WASHINGTON	11.64 38.9	51.23 81.8 -216.0	69.7	92 98	16.00 16.00 2¢	UPA		Flat fee + gross weight
WEST VIRGINIA	9.80 40.8	52.91 84.5 -71.2	99.4	83 103	15.35 15.35	MRA		Gross weight groups
WISCONSIN	10.14 41.8	57.27 91.5 -15.9	113.8	120 105	15.00 15.00 1¢	IRP		Gross weight groups
WYOMING	8.71 38.2	140.80 224.8 -69.2	162.0	73 88	8.50	IRP UPA	Primary	Gross weight groups

VEHICLE REGISTRATION ^a		Average state and federal user fees paid/truck (\$) ^b	Highway vehicle size limits ¹⁰	Highway vehicle weight limits ¹¹	State corporate income tax rate (%) ¹²	State inventory tax methods ¹³	Worker profile ¹⁴	
Tractor/trailer combination: basis of fee:								
tractor	trailer							
Gross weight of combination	Flat fee	291.67	13'6" 96" 55' (+)	79.8	6.00	lower rate	801.5 115.4	NORTH CAROLINA
Gross weight of combination	Flat fee	199.25	13'6" 102" 75'	80	2.00 7.00 6	exempt	15.1 16.6	NORTH DAKOTA
Empty weight	Empty weight	352.03 (+)	13'6" 96" 60' (+)	80	4.60 8.70 2	higher rate	1,115.6 203.6	OHIO
Gross weight groups & age	Flat fee	222.75 (+)	13'6" 96" 65'	85.5	4.00	avg. value	173.1 70.6	OKLAHOMA
Gross weight groups & age	Gross weight groups	303.61	14'0" 96" 60'	80	7.50	exempt	185.5 56.7	OREGON
Gross weight of combination	Weight under 10,000 lbs, else flat fee	496.03	13'6" 96" 60'	80	10.50	no tax	1,118.6 244.7	PENNSYLVANIA
Gross weight of combination	Flat fee	300.51	13'6" 102" 60'	80	8.00	exempt	119.9 13.3	RHODE ISLAND
Gross vehicle weight	Flat fee	320.23 (+)	13'6" 96" 60'	80 (+)	6.00	exempt	361.1 54.1	SOUTH CAROLINA
Empty weight & age	Empty weight & age	246.37 (+)	13'6" 96" 80' (-)	80 (-)		as other property	26.5 12.5	SOUTH DAKOTA
Gross weight of combination	Flat fee	326.31 (+)	13'6" 96" 60'	80	6.00	exempt	482.5 80.7	TENNESSEE
Gross weight of combination	Flat fee	334.16	13'6" 96" 65'	80		as other property	1,016.1 337.9	TEXAS
Gross weight groups	Flat fee	247.92	14'0" 96" 65'	80	4.00	exempt	87.7 35.6	UTAH
Gross weight of combination	Flat fee	453.50	13'6" 102" 60'	80	5.00 7.50 4	exempt	48.8 8.8	VERMONT
Flat fee + gross weight of combination	Flat fee	421.70	13'6" 96" 60' (+)	79.8	6.00	as other property	408.8 116.8	VIRGINIA
Flat fee + gross weight	Flat fee + gross weight	309.35	14'0" 96" 65'	80		as other property	273.8 88.8	WASHINGTON
Gross weight of combination	Flat fee	228.19 (+)	12'6" 96" 55'	80	6.00	as other property	93.2 40.1	WEST VIRGINIA
Gross weight of combination	Flat fee	391.34	13'6" 96" 60'	80	7.90	exempt	493.5 86.3	WISCONSIN
Empty weight groups	Empty weight groups	393.81	14'0" 96" 85'	80		exempt	9.2 16.1	WYOMING

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MAY 1984

REGIONAL AIRLINES RARING TO GO

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HAS LABOR SEEN ITS DAY?
SO IT'S TIME TO BUILD A NEW WAREHOUSE...
ELECTRONICS GO FULL CIRCUIT

COVER STORY

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DIALOGUE

It was muddled by an editorial snafu, but we really did want your thoughts on the changing face of transportation labor, not a rerun of your thoughts on hazardous materials, on the February "Dialogue" card.

Any time we ask about labor, we can still count its clout by the number of people who ask not to be identified. By this measure, it's clear that transportation unions are still alive and kicking. As you will see, there were quite a few unsigned cards. All of which goes to point out that, despite calls for cooperation in negotiations this year, labor and management are still in an adversary relationship, or at least are refusing to let down their guard entirely.

There were a good number of signed cards, too. Which may indicate that labor's face isn't as fearsome as it used to be. Here's what some of our readers, who were not thrown off the track by our miscue, had to say about the shape of organized labor:

"My union carriers must get relief or be out of business!!! I need them and I wonder if they can negotiate their survival."—**Unsigned.**

"We are finding ourselves more vulnerable and unprepared than ever."—**Unsigned.**

"We have a proposal before the Teamsters to pull our private fleet drivers from the Master Agreement and replace it with a 'White Paper' agreement that better fits our needs."—**George S. Kastner, Stone Container Corp., Melvindale, Mich.**

"I agree that service industries will have more organized labor and fewer truckers will belong."—**Unsigned.**

"Organized labor has become bureaucratic, demagogic, self-centered and has done nothing to further industry. Therefore, everyone will be affected by the changes."—**Fred Wilson, director of transportation, Farmers Grain Cooperative, Ogden, Ut.**

"At the present time we are affected favorably as unions are forced to give concessions to transportation management. As the economy picks up, though, the shoe might be on the other foot."—**R.J. Marshall, traffic manager, Duraco Products Inc., Streamwood, Ill.**

"I see improvements in overall service levels and productivity with weakened unions."—**E. Melin, traffic administrator, Wang Labs Inc., Tewksbury, Mass.**

"As the transportation industry continues to compete for shipper dol-

continued

QUESTION OF THE MONTH

First there was traffic, which grew into transportation, which grew into physical distribution, which grew into logistics, which is supposed to include both outbound p.d. and inbound materials management. But too many companies continue to ignore the inbound half of the logistics equation. Either they have yet to achieve a meld between purchasing and distribution, or they allow vendors to control routing of inbound freight, or because they have been so customer- and outbound-oriented they have overlooked inbound.

But now with increased emphasis on just-in-time production, and on reducing costs throughout the entire production process, significant reductions in raw material stocks and costs are being seen in inbound traffic management. This can involve taking the responsibility for carrier selection and rate negotiations away from the vendors and purchasing and giving it to special transportation managers within purchasing, to inbound specialists within distribution or traffic, or using forwarders who specialize in inbound freight management.

On the card at the bottom of the page, tell us what your company has experienced and what methods you're using or considering to bring inbound traffic under control.

DIALOGUE

●Who is in charge of inbound transportation matters at your company? ☐ Transportation specialist within purchasing ☐ Inbound specialist within transportation or distribution ☐ Special "hybrid" of purchasing/transportation ☐ Nobody is assigned specifically to inbound duties

●Modal and carrier selection for inbound freight is usually handled by: ☐ Vendor ☐ Purchasing ☐ Transportation ☐ Vendor's forwarder ☐ Our forwarder

●How much inbound freight is shipped to your company on a "freight collect" or a "prepaid and add" basis? ☐ % Freight collect ☐ % Prepaid and add

●Have you seen significant reductions of raw materials costs in the cases where you have assumed control of inbound rating and routing from vendors? ☐ Yes ☐ % Reduction ☐ No

●Have you passed savings on to your customers in the form of reduced finished product costs? ☐ Yes ☐ No

Has your company instituted any sort of a just-in-time program? ☐ Yes ☐ No ☐ Considering it

Do you consolidate inbound traffic? ☐ Yes ☐ No

When sourcing raw materials, how important a factor is inbound transportation costs? ☐ Very important ☐ Somewhat important ☐ Not very important

Currently, our biggest challenge/problem with regard to inbound freight management is:

OPTIONAL:

NAME (print)	TITLE	
COMPANY	PHONE	
ADDRESS		
CITY	STATE	ZIP

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lars, I see transportation rates stabilizing and increases becoming less frequent and in smaller amounts. I also project union members giving in on wages and benefits for additional job security."—**Dennis Weber, Interstate Brick Co., West Jordan, Ut.**

"In my opinion, labor has had its way too long. It has been management's fault. They have given in to labor demands because they could pass on labor increases through rate increases. That has changed. Now competition has forced the carriers that were not well managed out of business."—**Louis A. Paulson, principal, Professional Distribution Consultants, Dix Hills, N.Y.**

"The unions will try to recruit white-collar workers to replace their members lost to trucking company failures and layoffs."—**J.R. Johnson, traffic manager, Wieboldts, Des Plaines, Ill.**

"The teamster carriers are going to have a very difficult time competing with low-cost, non-union truckers."—**Unsigned.**

"As organized labor decreases, our flexibility increases."—**Tony DiFranco, terminal manager, Kenosha Auto Transport.**

"Better service—lower rates—increased productivity."—**Unsigned.**

"I could possibly lose my job because of loss of business, or possibly be asked to join the union."—**C.B. Hall, dispatcher, System 99, Bell Garden, Calif.**

"Union organizations, including the transportation related unions, are seeing their last days of heavy power. The recent court ruling on company bankruptcies and contractual obligations is a clear signal to organized labor."—**Unsigned.**

"We do not have a union, and have no use for one!"—**Unsigned.**

LABOR'S FACE

We will not be negotiating with labor this year.....	73%
We will be.....	27%
We are less concerned with labor demands since deregulation....	67%
Wage and benefit concessions are the greatest labor concern....	41%
Job security is labor's greatest concern.....	35%
Wages are the biggest concern.....	12%
The outlook is bleakest for the Teamsters.....	45%
It's bleakest for independent truckers.....	27%
Bleakest for airline workers.....	18%
For longshoremen and rail workers.....	6%
I'm not prepared for white-collar transportation unions.....	45%
I am prepared.....	18%
I don't know.....	29%
Union activity won't shift to the traffic department.....	47%
It will shift in that direction.....	47%



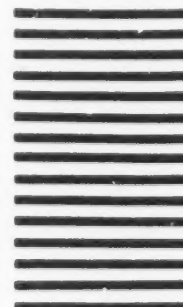
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LEASING'S DOMINO EFFECT

IT GOES STRAIGHT TO YOUR BOTTOM LINE

MOTOR CARRIERS' '83 FINANCIAL REPORT
THE EXPERTS LOOK AT SECURITY
THIRD QUARTER FORECAST

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Leasing is here to stay, so distribution managers must learn a new skill: how to analyze the ripples it creates in a corporate asset pool.

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Certainly not P-O-L-I-C-E. Instead, it can only be put together through cooperation among shippers, carriers and the law.

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You're playing with fire if you think the bill of lading is no longer a burning issue.

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The world-class Olympic logistics department is moving everything else for the '84 Summer Games in record times.

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DIALOGUE

In March, we asked readers to tell us how the deregulated era had changed their operations with respect to filing, and resolving, loss-and-damage claims for their shipments. Here's a sampling of their current claims about what their biggest problems are now:

"My biggest problem is railroad attitudes on claims, reduction of filing time limits filing, delays in making inspections and poor paperwork."—**H.M. Karel, director of distribution, Cleo Wrap Corp., Memphis.**

"As a general rule, carriers are taking an additional 30 days to settle claims, and then only after considerable follow-up by my people. Deregulation and the recession have made this a cash flow tool for carriers."—**James J. Paule, traffic manager, Spangler Candy Co., Bryan, Oh.**

"Loss and damage claims are now requiring more time and attention. Deregulation causes shippers to handle claims on a carrier-by-carrier basis rather than as a standard industry procedure."—**Ken Hanrath, traffic manager, G.D. Baking Co. Inc., Chicago.**

"My biggest liability problem is carriers' reaction time to a claim. Their freight reps lack full training in shipper/consignee service. They are pumped up with sales optimism and rate discounts, but many can't handle claims."—**R.L. Sohn, industrial traffic manager, The Flixible Corp., Delaware, Oh.**

"Some carriers use ICC regulations for billing time (7 days) but, to get a refund, they take 30 days and more."—**Jerry Bartels, traffic manager, Crosby Co., Buffalo, N.Y.**

"Through careful carrier selection and adequate preparation of shipments, our liability and claims are practically nil."—**Jack Grunden, purchasing manager, Certified Brakes, Danville, Ky.**

"The response time is much greater since deregulation. Before 1980, a carrier usually responded in 30 days; now it's 60 to 90 days, if at all."—**William D. Epley, traffic manager, Associated Mills Inc., Chicago.**

"We ship approximately 150,000 cartons per month. All are relatively small. LTL carriers have problems keeping the order whole as the shipments move through breakbulks. Fortunately, they always seem to turn up and get delivered."—**R.J. Marshall, traffic manager, Duraco Products Inc., Streamwood, Ill.**

"My biggest problem is shipments which move via an association or cooperative at the origin point and for which I have no contact at my end. These claims take much longer to resolve and require at least one letter

continued

QUESTION OF THE MONTH

You probably need another export pep talk like you need a wet basement, right? Government officials, carriers, port representatives, chamber of commerce-types, and, yes, publications like this one keep trying to get you revved up on all that great market potential across the water, and all you can do is shrug and say, sorry, it's not for us.

And you've got a lot of company when you react that way. Despite all the surging growth in export evangelism in recent years, actual export activity has, by and large, remained stagnant. The U.S. trade imbalance has regained some equilibrium in recent years, mainly because of reduced dependence on imported oil. But take a look strictly from a standpoint of export sales of manufactured goods, and you'll see a picture that's not exactly action-packed.

So now we want to try to find out just what it is that keeps many of you from doing business away from the home front. Is your company simply not organized or resourced properly for international sales? Or are government controls and logistical snags to blame? Tell us what the problems are on the card below, and maybe in the process we'll either discover some solutions, or learn there are good reasons to give the pep talks a rest.

DIALOGUE

● The biggest internal problem at my company when it comes to international efforts is (check one only): ☐ lack of time to devote to international ☐ lack of planning and coordination ☐ lack of expertise and training ☐ lack of management support and commitment ☐ lack of required financial resources ☐ lack of marketing research

● The biggest external barrier to my company's international efforts is (check one only): ☐ lack of overseas markets for our products ☐ logistical snags when trying to distribute our products in foreign markets ☐ U.S. government controls and regulations on exports and imports ☐ other foreign governments' controls and regulations on export and imports

● My reaction to the idea of using an export trading company (ETC) as a way to market and distribute our products overseas is (check one only): ☐ we don't know what ETCs can do for us ☐ we would lose control over distribution, customer service, etc. ☐ ETCs can't do anything we can't do as well ourselves ☐ it's a good idea, and we should leave international distribution to ETCs

Here's what people who say my company should export more don't understand:

OPTIONAL

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Federated Department Stores, Inc.

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Director of Corporate Transportation,
Robertshaw Controls Co.

to determine the status of the claim."—**Glen E. Schneider, transportation manager, Robinson's of Florida, St. Petersburg, Fla.**

"My biggest liability problem is attempts by carriers to circumvent strict liability standards imposed by common law, and attempts by carriers to limit liability by publishing full value rates 125 to 150 percent higher than rates in effect prior to deregulation."—**Michael G. Ferrise, traffic manager, Wakefern Food Corp., Elizabeth, N.J.**

"We are a large shipper using a small number of carriers. Our problem with claims are mostly on the rating of our bills, and not loss and damage."—**Tony Alvarado, director of traffic, Tomy Corp., Carson, Calif.**

"Getting carriers to handle each claim on its merits and investigate each on its own. Extracting claims payment from carriers is another problem; small claims are paid, but big claims?????"—**B. Miles Forrester, traffic manager, Brown & Haley, Tacoma, Wash.**

"Railroads feel that exempt rates are limited liability rates. The standard liability deductibles or minimum claims amounts are a disincentive to loss-and-damage minimization, and they encourage pilferage."—**E.R. Brandt, transportation supervisor, JR Simplot Co., Boise, Id.**

"Carriers still play games, declining for capricious reasons, hoping they will never hear from you again."—**Lynne Brown, traffic manager, Bradley Corp., Meno Falls, Wis.**

"Contract carriers, in general, tend to either ignore Ex Parte 263, or are unaware of its existence."—**Steve Witt, manager, traffic and transportation, Cobe Laboratories, Lakewood, Colo.**

PLENTY TO DECLARE

Since dereg, no increase in problems with liability and claims . . .	51%
Since dereg, more problems with liability and claims	44%
I've had more problems with LTL carriers	53%
More problems with TL carriers	16%
Carriers are less likely to follow Ex Parte 263	53%
Carriers still follow the regulations	44%
I've had most claims problems with motor carriers	58%
I've had most problems with railroads	14%
Varying air and forwarder claim limits cause problems for me . . .	44%
They do not cause problems	47%
We have not entered liability-reducing rail contracts	65%
We are thinking about it, though	23%
We do have a floater policy to cover domestic risk	39%
We do not have such a policy	39%
Since dereg, we haven't increased coverage	47%



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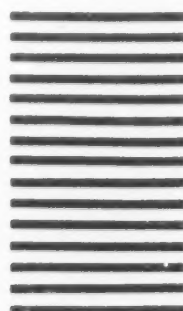
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1983 MOTOR CARRIER FINANCIAL PROFILE: THE GULF WIDENS, AND THE TABLES TURN

There are still as many have-nots as haves, but a capacity crunch may soon get every trucker healthy, at the shipper's expense.

By Kurt C. Hoffman, Contributing Editor

The chasm between those for-hire motor carriers destined to be survivors and their terminally ill counterparts deepened in 1983. A quick scan of the operating results recorded last year by the nation's top 100 trucking firms shows that while tonnage was up considerably from the disturbing 1982 levels, nearly a third of the top 100 failed to make any headway towards profitability. Most carriers who started the year on a losing note ended up even deeper in the wash. Other companies sparkled. Some observers now estimate that the 10 top motor carriers control over 50 percent of the nation's general freight.

"Generally speaking, the trucking industry had a good year in 1983," says William M. Legg, a financial analyst with Alex Brown & Sons of Baltimore. "The major carriers with strong balance sheets and proven management, like Roadway, Carolina Freight, Yellow Freight and Overnight, for example, for the most part had record years.

"At the same time," Legg notes, "carriers that had been struggling early in 1983 ended up with huge losses. If you look at the first quarter statistics, those companies that had been losing money coming into 1983 continued to lose, and their traffic base is down." Plotting carriers' return on equity used to produce a bell-shaped curve, Legg adds; now, it has become quite skewed.

Consequently, lending institutions see little hope for the consistently ailing carriers, and foreclosures are being accelerated.

So what should a shipper look for when evaluating new motor carrier service? How can a shipper tell if one or several of its existing carriers



are slipping into the red? Several industry analysts offer some observations on these points.

Proper Legg Work

"If I were a shipper, the first step I'd take would be to read the carrier's income statement," Legg says. "If the economy is on the rise, I want to see a company with rising revenues. That means it's holding its market share. If a carrier is losing money in a rising economy, something's wrong."

Next on Legg's list is net income—before taxes. "People can do funny things with taxes," he notes. And he doesn't put much stock in operating ratios, noting that they don't reflect interest burdens.

Legg then checks a carrier's tax status to see if taxes are current or deferred. "Deferred is a good sign," he believes. "It means the company is not only making money, but also spending a lot on equipment."

Depreciation is another vital sign, the analyst believes. "I want

to see depreciation on the rise," he says. "This means the company is increasing its commitment to increased plant and capacity."

Then it's on to the balance sheet, where current assets and liabilities should be 1:1 or better, and long-term debt should be less than the shareholders' equity. Property and equipment accounts should be rising, Legg adds.

A carrier's interest burden should be closely examined by shippers, another analyst believes. "The interest load is critical," this analyst says. "If you go back far enough, you can figure out when the carrier accumulated the bulk of its debt. If it borrowed heavily in 1980, 1981, and 1982, and it's sitting there with 18 percent loans, it's in trouble."

Points to Bank On

A slightly different perspective is offered by Laurence Pierce, vice president of the First Bank of Boston, a major financier of motor carrier operations. Pierce reports that

LARGE CLASS I MOTOR CARRIERS OF PROPERTY SELECTED EARNINGS DATA

DISTRICT, CARRIER & YEAR	OPERATING REVENUES (\$ millions)	NET CARRIER OPERATING INCOME ¹ (\$ millions)	NET INCOME ² (\$ millions)	REVENUE TONS HAULED ³ (millions)	OPERATING RATIO ⁴ (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY ⁵ (percent)
Eastern District Total (33)	1983 \$6,840.3	\$333.8	\$206.6	65.4	95.1	5.23
	1982 6,203.8	134.2	84.5	62.4	97.8	6.19
Southern District Total (22)	1983 3,939.6	161.2	84.4	43.2	95.9	13.48
	1982 3,641.1	49.2	(0.6)	41.9	98.6	-0-
Western District Total (45)	1983 5,700.9	164.8	68.6	57.6	97.1	7.52
	1982 5,551.9	32.3	(7.0)	58.8	99.4	-0-
TOTAL ALL CARRIERS ⁶	1983 16,480.9	659.9	359.7	166.3	96.0	12.42
	1982 15,396.9	215.8	76.7	163.2	98.6	2.59

his institution focuses on four major points before deciding whether to grant or extend credit to trucking operations. Those four points, he says, will be the key factors for any carrier's survival during the rest of the decade.

"Management is our number one concern," Pierce says. "I want management with a track record—a proven ability to profitably survive in the present operating environment." This doesn't necessarily mean a management team that's been together for any fixed period, he clarifies. "But we need to be convinced the team can compete in a free market, and run that carrier at a very effective operating ratio."

Pierce's second concern is the carrier's market niche. Does the carrier really fill a need? How well does it perform compared to other carriers offering similar service?

Cost control is another vital area. "It's quite possible that management may be very good at marketing, but out of touch with cost control," Pierce says. "And you can't compete in today's cutthroat marketplace unless you have costs under control."

Before the Fall

Ironically, capital is a fourth area of concern for the Boston banker. Obviously, it makes a difference what kind of financial strength the carrier possesses," he explains. "But it's not our greatest concern. This simply means that given convincing arguments that the other three ingredients—management, market niche and cost control—were all present, we would be willing to take a risk."

continued

INDIVIDUAL CARRIERS DATA

Eastern District

A-P-A Transport Corp.	1983	\$87.3	\$17.0	\$7.8	0.4	80.5	30.11
	1982	81.4	13.7	6.1	0.4	83.1	29.20
Aero-Mayflower Transit Co.	1983	222.6	9.2	6.0	0.4	95.9	27.86
	1982	202.2	5.2	3.5	0.3	97.4	19.62
Allied Van Lines, Inc.	1983	300.2	3.7	4.3	0.5	98.8	26.19
	1982	273.9	(0.7)	1.7	0.5	100.3	9.84
Associated Truck Lines, Inc.	1983	193.8	1.3	(2.5)	1.9	99.3	-0-
	1982	183.1	(2.5)	(1.4)	1.8	101.4	-0-
Atlas Van Lines, Inc.	1983	133.1	5.2	3.5	0.2	96.1	12.57
	1982	127.5	4.5	3.2	0.2	96.5	13.69
Bekins Van Lines, Inc.	1983	171.2	3.9	2.7	0.3	97.7	11.43
	1982	174.4	4.3	3.8	0.3	97.5	19.16
Branch Motor Express Co.	1983	120.0	(5.7)	(4.1)	1.2	104.8	-0-
	1982	128.8	(7.9)	(10.7)	1.2	106.1	-0-
C&J Commercial Driveaway, Inc.	1983	61.6	4.8	2.5	0.6	92.1	32.24
	1982	45.0	0.9	0.2	0.4	97.9	3.63
Central Transport, Inc.	1983	213.5	19.8	18.9	4.7	90.7	200.07
	1982	136.9	2.2	3.2	3.3	98.4	38.79
Chemical Leaman Tank Lines	1983	147.8	0.6	(1.4)	5.5	99.6	-0-
	1982	151.7	(0.5)	(2.5)	5.4	100.3	-0-
Coastal Tank Lines	1983	58.4	(0.5)	(3.3)	2.2	100.9	-0-
	1982	66.3	(0.7)	(3.4)	3.0	101.1	-0-
Commercial Carriers, Inc.	1983	142.8	8.0	5.0	2.2	94.3	21.51
	1982	96.0	3.3	3.4	1.7	96.6	15.90
Commercial Lovelace Motor Freight, Inc.	1983	56.2	(2.6)	(2.1)	0.5	104.7	-0-
	1982	71.1	(7.6)	(5.3)	0.5	110.7	-0-
Duff Truck Line, Inc.	1983	53.5	(0.1)	(0.4)	0.7	100.1	-0-
	1982	53.1	(1.0)	(1.8)	0.6	102.0	-0-
Hall's Motor Transit Co.	1983	193.4	(6.0)	(9.4)	1.3	103.1	-0-
	1982	215.3	(8.9)	(11.9)	1.8	104.1	-0-
Holland Motor Express, Inc.	1983	72.9	7.5	4.6	0.6	89.6	27.05
	1982	57.9	3.1	2.1	0.5	94.5	13.86
Holmes Transportation, Inc.	1983	55.4	0.1	0.3	0.6	99.8	2.69
	1982	54.2	(0.3)	(0.3)	0.6	100.6	-0-
IMFS, Inc.	1983	193.0	(12.3)	(17.4)	1.1	106.4	-0-
	1982	226.6	(13.6)	(16.2)	2.2	106.0	-0-
Jones Transfer Co.	1983	57.0	3.6	2.7	1.1	93.6	40.40
	1982	46.9	(.5)	(2.3)	1.0	103.2	-0-
M&G Convoy, Inc.	1983	70.5	0.4	0.3	0.7	99.3	3.45
	1982	59.5	0.1	0.1	0.6	99.8	1.24
Matlack, Inc.	1983	171.3	5.5	1.0	7.5	96.7	2.79
	1982	156.1	2.8	(1.0)	6.8	98.2	-0-
National Freight, Inc.	1983	76.8	(0.7)	0.1	1.1	101.0	2.28
	1982	78.1	(1.0)	0.7	1.2	101.4	14.47
No. American Van Lines, Inc.	1983	555.4	16.0	19.9	2.5	97.1	15.22
	1982	491.2	20.2	21.4	2.1	95.9	14.35
Nu-Car Carriers, Inc.	1983	94.5	3.6	1.7	1.8	96.2	47.34
	1982	79.1	1.8	0.2	1.5	97.7	7.01
Oneida Motor Freight, Inc.	1983	55.1	0.6	0.3	0.4	98.7	5.44
	1982	49.9	(0.1)	0.1	0.4	100.3	2.36
Preston Trucking Co., Inc.	1983	263.4	11.9	6.6	2.6	95.5	9.93
	1982	218.0	6.1	5.1	2.0	97.2	7.38
R-W Service System, Inc.	1983	33.3	0.3	0.1	1.3	98.8	-0-
	1982	50.7	(0.4)	(1.1)	1.7	101.0	-0-
Red Star Express Lines	1983	95.3	9.5	3.5	0.6	90.0	10.25
	1982	88.6	6.4	2.8	0.6	92.7	7.77

FINANCIAL

These may be key areas for shippers to examine when evaluating new service, but how does one tell when an existing carrier is going sour? "The first sign is probably having a salesman for another carrier coming by your office to tell you how bad your existing carrier's financial situation is," says Alex Brown's Legg. "At that point, you should check up on your carrier's balance sheet, which the competitor will gladly give you. It's a dog-eat-dog situation out there."

Adds another analyst: "Rumors certainly are rampant before anything official happens, and it doesn't take a genius to look at the balance sheets published by the Interstate Commerce Commission to figure out who's in trouble and who's not. For example, the ICC reports that about 65 percent of the top 100 carriers had increased operating revenues in 1983, which means that 35 percent didn't. I'd really be concerned about a carrier that couldn't make money when industry tonnage is up substantially."

But shippers should be careful not to oversimplify carrier evaluations, the analyst says. "A number of carriers are playing the market share game," he notes. "Their most important concern right now is not profit, but market share, and they'll do whatever it takes to get or keep that share and bide their time."

"If a carrier doesn't have a staggering debt load, and if it has some cash reserves or a 'sugar daddy' such as IU International or ANR, it can afford to play market share," this analyst continues. "But when it's mortgaged to the hilt, it can't afford to play games."

The players' tactics only promise to get more daring in the coming days, observers believe. "There is a perception of a need to act more precipitously in 1984 than carriers did two or three years ago, when they had more alternatives to pursue," First Boston's Pierce explains. "An obvious development of a sick carrier that has gone too far before seeking remedies is that it begins to lose alternatives."

continued

		OPERATING REVENUES (\$ millions)	NET CARRIER OPERATING INCOME ¹ (\$ millions)	NET INCOME ² (\$ millions)	REVENUE TONS HAULED ³ (millions)	OPERATING RATIO ⁴ (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY ⁵ (percent)
Refiners Transport & Terminal	1983	48.0	(0.3)	(1.3)	6.0	100.7	-0-
	1982	50.3	(0.1)	(2.0)	6.2	100.0	-0-
Roadway Express, Inc.	1983	1,259.0	130.6	99.4	5.0	89.6	20.69
	1982	1,147.4	83.5	74.2	4.8	92.7	17.79
St. Johnsbury Trucking Co., Inc.	1983	209.0	12.3	4.6	1.6	94.1	16.77
	1982	167.2	10.4	5.0	1.3	93.7	20.07
Smiths Transfer Corp.	1983	315.3	8.0	3.8	2.1	97.4	7.14
	1982	270.2	(4.3)	(3.0)	1.8	101.6	-0-
Yellow Freight System, Inc.	1983	1,058.0	78.0	48.0	4.5	92.6	22.23
	1982	903.5	16.4	10.3	4.1	98.2	4.76
Total Eastern Carriers (33)	1983	6,840.3	333.8	206.6	65.4	95.1	15.23
	1982	6,203.8	134.2	84.5	62.4	97.8	6.19
Southern District							
AAA Cooper Transportation	1983	\$59.1	\$6.1	\$3.5	0.5	89.7	33.84
	1982	51.1	4.6	3.6	0.5	91.0	35.68
Alterman Transport Lines, Inc.	1983	45.5	1.4	0.6	0.4	96.8	4.15
	1982	44.4	0.5	(-)	0.4	98.8	-0-
Bowman Transportation, Inc.	1983	149.0	1.5	2.3	1.7	99.0	4.58
	1982	127.2	(2.8)	(1.7)	1.4	102.2	-0-
Brown Transport Corp.	1983	150.2	10.3	8.5	2.2	93.1	77.10
	1982	137.7	7.5	5.4	1.8	94.5	41.56
Carolina Freight Carriers Corp.	1983	327.3	23.0	11.5	1.9	93.0	30.19
	1982	268.3	11.9	6.0	1.7	95.5	17.96
Mason & Dixon Lines, Inc.	1983	158.0	(0.6)	(2.4)	1.6	100.4	-0-
	1982	149.0	(8.4)	(10.7)	1.4	105.7	-0-
McLean Trucking Company	1983	519.0	(6.1)	0.8	2.8	101.2	0.85
	1982	491.8	(22.3)	(22.8)	2.6	104.5	-0-
Melton Truck Lines, Inc.	1983	47.5	0.7	0.8	1.2	98.5	8.56
	1982	48.1	(0.4)	0.1	1.3	100.9	0.22
Mercury Motor Express, Inc.	1983	48.7	(2.9)	(1.6)	0.5	106.0	-0-
	1982	47.8	(2.9)	(1.4)	0.5	106.1	-0-
Miller Transporters, Inc.	1983	50.5	1.3	0.4	3.9	97.3	7.37
	1982	48.7	1.0	(0.8)	3.9	97.8	-0-
Old Dominion Freight Lines, Inc.	1983	130.8	3.1	1.0	1.9	97.6	8.33
	1982	104.5	3.5	0.7	1.7	96.6	5.93
Overnight Transportation Co.	1983	340.1	49.9	28.3	3.1	85.3	21.74
	1982	287.8	32.7	18.2	2.6	88.6	15.66
Pilot Freight Carriers, Inc.	1983	188.0	(7.9)	(9.4)	1.6	104.2	-0-
	1982	154.0	(7.5)	(7.8)	1.1	104.9	-0-
Poole Truck Line, Inc.	1983	64.8	8.7	6.3	2.3	86.4	49.26
	1982	55.3	3.2	0.7	2.2	94.1	5.90
RTC Transportation, Inc.	1983	154.0	3.4	0.1	2.7	97.7	0.17
	1982	157.4	6.4	2.1	2.6	95.9	18.66
Ryder/P-I-E Nationwide, Inc. ⁷	1983	1,005.6	31.6	10.8	7.2	96.9	9.25
	1982	1,016.7	3.6	0.2	8.8	99.6	0.22
Saia Motor Freight Line, Inc.	1983	47.4	6.4	3.7	0.5	86.4	21.25
	1982	48.3	5.5	3.6	0.5	88.5	24.93
Southeastern Freight Lines	1983	58.6	8.6	8.2	0.6	85.3	78.71
	1982	50.6	3.4	2.9	0.6	93.2	28.77
The Motor Convoy, Inc.	1983	68.9	0.8	0.2	2.6	98.7	13.10
	1982	56.0	(0.1)	(0.8)	2.3	100.2	-0-
Thurston Motor Lines, Inc.	1983	104.1	5.3	0.1	1.2	94.9	12.40
	1982	97.3	2.9	(1.7)	1.2	97.0	-0-
Transus, Inc. ⁸	1983	93.7	5.7	6.7	0.9	93.8	30.09
	1982	86.9	2.3	1.3	0.9	97.4	10.42
Watkins Motor Lines	1983	128.0	10.0	3.4	0.7	92.2	29.35
	1982	111.3	4.3	2.1	0.7	96.1	19.44
TOTAL SOUTHERN CARRIERS (22)	1983	3,939.6	161.2	84.4	43.2	95.9	13.48
	1982	3,641.1	49.2	(0.6)	41.9	98.6	-0-

FINANCIAL

For example, if lenders can work with troubled carriers early and provide sound counsel, there may be 10 avenues of change to explore. But if that same carrier waits another 18 months before trying its alternatives, its options get down to "one or two fairly drastic actions," according to Pierce.

Most of the carriers that are currently in dire financial straits have been in trouble for a couple of years at least, Pierce notes. Accordingly, they are rapidly losing their flexibility to respond to counsel.

"The alternatives for these carriers have greatly diminished compared to their position in 1980 or 1981," Pierce says. "As long as they still had a market share and the confidence of the shipping public, they had options. For example, they might have been able to work out a labor concession or make changes in their terminal operations."

"But now they don't have any capital left, they may have lost key management, or competition may have pre-empted them in an area where they should have moved. Their market share probably has eroded, and once it's lost, it's excruciatingly difficult to recapture."

"When we see a situation deteriorating under our noses to the point that we can't visualize any reasonable recovery, we now are more likely to take security faster than we would have before," Pierce adds. "Once we have exhausted all reasonable alternatives, and the carrier continues to lose money, we really have no choice but to call a default on the financing program."

For What It's Not Worth

Other industry analysts suggest that the banking industry's disinclination to foreclose on troubled loans during the early months of the decade was more likely attributable to the depressed market for trucks and terminals that prevailed during those years. "There's no point in liquidating a company if you can't get rid of the assets," says one analyst.

According to Legg, the first wave of closings were the companies who simply chose not to compete in the

Western District

		OPERATING REVENUES (\$ millions)	NET CARRIER OPERATING INCOME ¹ (\$ millions)	NET INCOME ² (\$ millions)	REVENUE TONS HAULED ³ (millions)	OPERATING RATIO ⁴ (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY ⁵ (percent)
ABF Freight System, Inc.	1983	\$349.9	\$6.3	\$3.4	\$2.0	98.2	-0-
	1982	302.9	(4.2)	(11.7)	1.9	101.4	-0-
Advance Transportation Co.	1983	58.8	0.8	0.1	0.6	98.5	2.42
	1982	49.5	0.3	(0.4)	0.5	99.2	-0-
American Freight System, Inc.	1983	268.6	11.5	6.6	1.6	95.7	21.92
	1982	241.6	(0.9)	0.1	1.5	100.4	0.12
Anderson Trucking Service, Inc.	1983	48.4	2.3	1.6	0.8	95.3	25.95
	1982	44.1	1.3	0.5	0.6	96.9	10.04
BN Transport, Inc.	1983	65.3	(4.2)	(4.8)	0.4	106.5	-0-
	1982	68.2	(1.6)	(0.7)	0.4	102.5	-0-
C & H Transportation Co., Inc.	1983	97.6	2.1	0.2	1.3	97.8	1.12
	1982	116.4	7.1	2.6	1.2	93.8	9.10
C.W. Transport, Inc.	1983	99.3	1.8	0.8	1.1	98.1	3.12
	1982	84.4	(2.8)	(1.4)	0.9	103.4	-0-
Campbell 66 Express, Inc.	1983	88.6	0.3	0.6	0.6	99.6	3.46
	1982	78.7	0.1	0.1	0.5	99.9	0.49
Central Freight Lines, Inc.	1983	175.5	6.4	4.6	2.2	96.3	7.40
	1982	187.7	4.2	6.1	2.5	97.7	10.59
Chemical Express Carriers, Inc.	1983	43.0	1.9	(0.1)	4.8	95.4	-0-
	1982	55.1	1.8	(0.2)	5.5	96.7	-0-
Churchill Truck Lines, Inc.	1983	72.5	4.5	2.5	0.5	93.7	33.86
	1982	58.5	0.9	0.5	0.4	98.4	7.08
Consolidated Freightways Corp.	1983	1,116.5	94.8	56.3	4.4	91.5	17.00
	1982	1,036.8	57.1	37.6	4.7	94.5	12.18
Crete Carrier Corp.	1983	62.7	3.3	2.4	1.1	94.7	26.78
	1982	59.2	3.5	2.3	1.0	94.0	33.66
CRST, Inc.	1983	70.1	2.8	1.7	1.2	95.9	23.14
	1982	72.0	3.2	1.4	1.3	95.5	22.32
East Texas Motor Freight Lines ⁶	1983	-0-	-0-	-0-	-0-	-0-	-0-
	1982	121.4	(15.5)	(4.9)	0.8	112.8	-0-
FFE Transportation Service	1983	58.7	1.4	0.8	0.7	97.5	14.83
	1982	55.9	(0.3)	0.1	0.6	100.6	1.71
Garrett Freightlines, Inc.	1983	168.5	8.8	3.4	1.1	94.7	12.83
	1982	148.2	4.2	2.0	1.0	97.2	5.45
Global Van Lines, Inc.	1983	75.3	1.7	0.7	0.1	97.6	7.79
	1982	67.7	1.1	0.3	0.1	98.4	3.80
Graves Truck Lines	1983	70.1	1.0	(1.6)	0.5	98.4	-0-
	1982	65.7	(1.3)	(1.3)	0.5	102.0	-0-
Groendyke Transportation, Inc.	1983	54.8	2.0	1.0	3.4	96.3	9.80
	1982	56.3	2.3	1.1	3.6	95.9	11.70
Illinois-Calif. Express, Inc.	1983	84.0	(5.6)	(6.4)	0.5	106.7	-0-
	1982	94.6	(1.9)	(3.7)	0.5	102.1	-0-
IML Freight, Inc.	1983	111.7	(9.1)	(7.6)	0.5	108.2	-0-
	1982	133.1	(11.4)	(15.0)	0.6	108.6	-0-
International Transport, Inc.	1983	84.7	(0.5)	(0.6)	0.6	100.7	-0-
	1982	113.5	3.7	1.3	0.8	96.7	5.93
Jones Truck Lines, Inc.	1983	158.7	10.9	5.7	1.6	93.1	11.83
	1982	128.2	7.0	4.4	1.3	94.5	9.30
Lee Way Motor Freight, Inc.	1983	170.0	(24.1)	(11.9)	1.0	114.2	-0-
	1982	187.9	(26.3)	(12.7)	1.1	114.0	-0-
Lynden Transport, Inc.	1983	58.9	3.9	2.2	1.4	93.2	11.21
	1982	68.3	6.7	5.7	1.4	90.1	29.87
Merchants Fast Motor Lines, Inc.	1983	90.3	4.1	1.6	0.9	95.4	19.60
	1982	98.2	9.8	4.8	0.9	90.0	54.58
Mid West Coast Transport, Inc.	1983	57.7	1.1	0.6	0.6	98.1	11.89
	1982	60.5	1.4	0.6	0.6	97.6	13.33
Midwestern Distribution, Inc.	1983	104.3	(2.5)	(2.1)	1.4	102.5	-0-
	1982	65.3	(4.1)	(2.5)	1.0	106.3	-0-
Milne Truck Lines, Inc.	1983	86.1	0.1	(0.4)	0.6	99.8	-0-
	1982	71.3	(3.5)	(2.2)	0.5	105.0	-0-
Mistletoe Express Service	1983	67.1	2.4	0.7	0.2	96.3	7.07
	1982	63.8	2.5	0.6	0.2	96.0	5.13
Murphy Motor Freight Lines, Inc.	1983	91.9	0.7	(0.2)	0.7	99.2	-0-
	1982	79.0	(1.2)	(1.3)	0.6	101.5	-0-
Northwest Transport Service	1983	67.5	8.7	4.7	0.3	87.0	33.12
	1982	62.9	7.0	4.4	0.3	88.8	42.76
Overland Express, Inc.	1983	64.1	4.0	1.9	0.9	93.8	45.42
	1982	50.7	3.2	1.4	0.7	93.6	52.64
Pacific Motor Trucking Co.	1983	124.7	(6.4)	(16.1)	1.1	105.2	-0-
	1982	131.8	(15.8)	(16.6)	1.3	112.0	-0-
Red Arrow Freight Lines, Inc.	1983	46.2	(0.3)	(0.5)	0.6	100.7	-0-
	1982	46.9	0.4	0.7	0.6	99.0	9.02
Riss International Corp.	1983	70.7	(0.8)	(0.7)	1.1	101.2	-0-
	1982	81.1	(1.4)	(0.3)	1.2	101.8	-0-

new environment. This occurred at a time when the economy—and freight tonnage—was quite depressed, and there wasn't much of a market for trucks or terminals. Consequently, there wasn't a high level of interest in liquidation.

"But now in the middle of recovery, when business is up nicely, we're seeing the second major round of the shakeout," Legg says. "Banks have become very aggressive in terms of enforcing loan covenants. We're also seeing the shipping public begin to gravitate much more aggressively away from those marginal companies and to those companies that are flourishing and can provide big discounts.

"I think we'll see the demise of most of the identified marginal carriers in 1984 and 1985," adds First Boston's Pierce. "At the same time, there is tremendous strength and vitality in the industry. We have strong companies coming to the public market again."

J.B. Hunt Transport, Builders Transport, Overland Express and Viking Freight System are a few of the trucking companies that have gone public. Many carriers are setting up satellite operations to be bridged by piggyback rail service. Several unionized carriers have established nonunion holding companies and are aggressively expanding their nonunion operations. And most recently, Norfolk Southern announced its purchase of North American Van Lines, subject to ICC approval. "These companies

continued

		OPERATING REVENUES (\$ millions)	NET CARRIER OPERATING INCOME ¹ (\$ millions)	NET INCOME ² (\$ millions)	REVENUE TONS HAULED ³ (millions)	OPERATING RATIO ⁴ (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY ⁵ (percent)
Santa Fe Trail Transport Co.	1983	48.1	(2.1)	1.1	0.2	104.5	11.14
	1982	54.6	0.1	0.4	0.2	99.8	4.52
Schneider Transport, Inc.	1983	168.8	5.8	3.1	3.3	96.5	52.71
	1982	160.0	1.2	1.0	3.0	99.2	31.75
Schwerman Trucking Company	1983	54.6	1.3	0.4	4.5	97.6	-0-
	1982	61.0	(0.2)	(2.3)	5.7	100.4	-0-
System 99	1983	67.6	2.9	1.3	0.4	95.6	-0-
	1982	60.1	(0.8)	(3.9)	0.3	101.4	-0-
Transcon Lines	1983	283.7	9.2	4.6	1.6	96.7	17.73
	1982	249.4	(7.3)	(7.1)	1.3	102.9	-0-
Tri-State Motor Transit Co.	1983	106.1	4.0	2.0	0.9	96.2	10.17
	1982	103.0	0.5	(0.7)	0.8	99.5	-0-
United Transports, Inc.	1983	67.9	2.3	1.3	1.3	96.5	28.57
	1982	54.2	(1.8)	(1.7)	1.2	103.5	-0-
United Van Lines, Inc.	1983	269.7	0.9	1.7	0.5	99.6	9.32
	1982	245.4	0.2	1.3	0.4	99.9	8.79
Willis Shaw Frozen Express, Inc.	1983	49.6	3.1	1.0	0.5	93.6	6.78
	1982	54.8	3.6	1.9	0.5	93.3	14.72
TOTAL WESTERN CARRIERS (45)	1983	5,700.9	164.8	68.6	57.6	97.1	7.52
	1982	5,551.9	32.3	(7.0)	58.8	99.4	-0-

¹Net Carrier Operating Income - difference between carrier operating revenues and expenses.

²Net Income - Includes fixed charges, non-operating income, income taxes, unusual or infrequent items, earnings attributable to discontinued segments, extraordinary items and cumulative effect of changes in accounting principles, but before extraordinary charges for write-down of operating rights and extraordinary credits for the tax effect of such write-downs.

³Revenue tons hauled reflect common and contract carrier service.

⁴Operating Ratio - Ratio of operating expenses to operating revenues.

⁵Return on Equity - Ratio of net income before extraordinary charges for write-down of operating rights to shareholders' equity less intangible property at end of previous calendar year. The symbol -0- indicates a deficit in net income and/or shareholders' equity.

⁶The 100 carriers listed are generally the largest Class I U.S. motor carriers of property, based upon revenues, with the following exceptions. Contract carriers are not included because the data filed by these carriers were substantially reduced in scope, in accordance with the Commission's revised reporting regulations, effective January 1, 1980. Also, the two largest motor carriers in terms of revenue generated—United Parcel Service and United Parcel Service, Inc. (New York)—are not included in this report because their data had not been received when this report was prepared. Those carriers were replaced by carriers ranking just below the 100 largest in size to arrive at a listing of 100 carriers.

⁷Effective July 11, 1983, Ryder Truck Lines, Inc. and Pacific Intermountain Express were merged to become Ryder/PIE Nationwide, Inc. Data shown above for Ryder/PIE nationwide for periods prior to July 1, 1983, represent the combined data of the two predecessor carriers.

⁸Effective January 20, 1983, Georgia Highway Express, Inc. changed its name to Transus, Inc.

⁹Data shown for East Texas Motor Freight Lines, Inc. reflect operations from January 1, 1982 to September 30, 1982. Since this carrier merged into the ABF Freight System, Inc. in September 1982, the results of operations over its system from October 1, 1982 to December 31, 1983 are included in the data shown above for ABF Freight System, Inc. Although data for East Texas are shown separately, ABF and East Texas are considered one carrier for this report.



FINANCIAL

see a fascinating opportunity in a freer environment," Pierce says.

The Good Times Stop Rolling

Between purchases, consolidations and rising tonnage, changes are in store for shippers who have enjoyed a seemingly endless tidal wave of good fortune propelled by the Motor Carrier Act of 1980. From the shipper perspective, one hardly could imagine a more ideal climate than to have carriers literally begging for your freight and willing to meet almost any competitor's price and service offer.

"The shipper has had the best of all worlds in the last four years," says Legg. "Provided it has decent freight, the shipper hasn't had to make a price-service trade-off. Instead, it's been enjoying top quality service from good name carriers at top-line discounts.

Legg attributes this condition to the industry's overcapacity, citing the following example:

"Let's say an LTL carrier has a fixed capacity of 100 units per day," Legg says. "If it's moving 50 units a day, its profit margin on the incremental revenue unit is probably 60 percent. So it's willing to go out and aggressively discount to build up its market share.

"But as it moves upwards to about 85 units a day, it begins to experience bottlenecks in its operation. So the profit on the next revenue unit of about 85 may not be 60 percent, but 20 percent. And if the carrier makes it to 90 units a day, it may need to add fixed costs to handle the additional freight, which eliminates the profit on that incremental unit of freight. Instead of making more money, the additional unit ends up costing capital."

Applying this theory to real-world operations, Legg points to a carrier that managed to keep afloat during the lean tonnage months, and is now moving more and more freight. "As this carrier gets closer to its saturation point," Legg notes, "it will become less willing to give large discounts and probably be far more selective in accepting freight. It probably won't want to haul bird cages west out of Albuquerque, particularly if the shipper insists on a

50 percent discount.

"So shippers, who have thoroughly enjoyed this wonderful life until now, are finally going to have to decide between service and price."

Saturation Point

This is beginning to happen already, as several of the well-known, well-financed and well-managed carriers who recorded blazing profits in 1983 are nearing the saturation point. "The aggressive carriers that have won the market share battle are beginning to run short of capacity," Legg notes.

Robert T. Beard, economist for the Regular Common Carrier Conference of the American Trucking Assns., reports that the surplus ca-

The Getting is Good

And rest assured—truckers can't wait to get back in the driver's seat.

"I think it's going to happen this year, unless the economy takes a nosedive," one trucking industry analyst believes. "When you look at the number of trucks and trailers manufactured since 1979, and start projecting the number of tons of freight that are going to be available, one has to conclude that shippers are going to have a problem with capacity, quite possibly late this summer. And when that happens, the shipper isn't even going to be able to make a choice between rates and service—it's going to be the truckers' turn to call the shots."

The clear inference is that if this problem develops, shippers can ex-

**"Slowly, by dust and by bust,
the industry's capacity
is shrinking."**

capacity which had been abundant in the industry for the past three years is now being dissipated, as firms finally leave the industry in spite of the multi-employer pension plan withdrawal liabilities that had stymied them in the past. In addition, aged equipment has not been replaced with new capacity, and demand for equipment has increased, spurred by a rebound in the durable goods sector of the economy.

"Preliminary data of a study that is currently underway indicates that about 44 percent of the over-the-road tractors have reached an age of over five years, which has long been considered the economic lifespan of tractors by the Internal Revenue Service, and over 35 percent of the existing capacity in trailers is over its economic life of 7 years," Beard notes. "Thus, slowly by dust and by bust, the capacity of the industry is shrinking. Barring another recession, there will have to be upward pressure on rates."

pect about as much sympathy and compassion from truckers as truckers have received from shippers since 1980. In other words, truckers, in all likelihood, will be delighted to stick it to them.

"The carriers have been very good students while the shoe has been on the buyer's foot, and they've taken their lumps," the analyst says. "I think most carriers have learned their lessons well."

So what's a shipper to do? "I'd continue to cull my carriers down to those that have the financial stability I want," Legg suggests, "and start thinking seriously about the price-service tradeoffs I'm now going to have to face."

Shipping managers will also have to educate their superiors, who have been spoiled in the past few years. "I wouldn't want my boss to be upset if I couldn't get a 50 percent discount," Legg says. "I'd make sure it was understood now that the gravy train can't last." ★

DISTRIBUTION'S FORECAST



GENERAL ECONOMIC INDICATORS

	2nd QTR. '84	3rd QTR. FORECAST
Real GNP (trillions)	\$3.6132	\$3.6884
Retail Car Sales (Mil. units, annual rate)	10.6	10.6
Housing Starts (Units, annual rate)	1,896,800	1,840,400
Prime Rate (%)	12.0	12.1
Producer Price Index (quarterly change)	(-3.0%)	(-3.1%)

Real GNP will grow at a rate of 4.1 percent in the third quarter, and moderate in the latter part of the year. Retail car sales will hold at a steady pace, with annual sales expected to exceed 10 million units. Housing starts are much higher than 1983 levels, and will moderate in the third and fourth quarters because of the expected rise in home mortgage rates. The expected increase in the cost of money is reflected in the gradual rise in the prime rate to 12.5 percent in the fourth quarter. This increase will slow economic growth and reduce housing starts and auto sales. Inflation, in contrast, should moderate throughout the year as shown by the decline in the producer price index by approximately 3 percent each quarter.

DIESEL FUEL PRICES

	MARCH '84	JUNE '84	3rd QTR. FORECAST
Full-Serve	129.4	131.1	132.2
Self-Serve	117.1	119.1	120.0

Source: American Trucking Associations

Diesel fuel prices are expected to show a moderate increase in the months ahead. This is partly because of somewhat higher costs involved in the refining of diesel fuel, and also because of the increase in demand. The rise will impact on truck transportation, which is the single largest consuming segment of diesel fuel. The price per gallon should increase from 130.0 in May to more than 132.0 a gallon in the third quarter.

DISTRIBUTION INDEX Quarterly Shipper Forecast

	CURRENT QUARTER	3rd QTR. FORECAST	NET CHANGE
Truck Shipments	137.4	139.5	+2.1
Rail Shipments	122.5	124.7	+2.2
Air Shipments	126.1	129.8	+3.7
Water Shipments	114.7	116.5	+1.8
Warehouse Space Utilization	131.5	135.4	+3.9
Inventory Valuation	113.2	115.6	+2.4

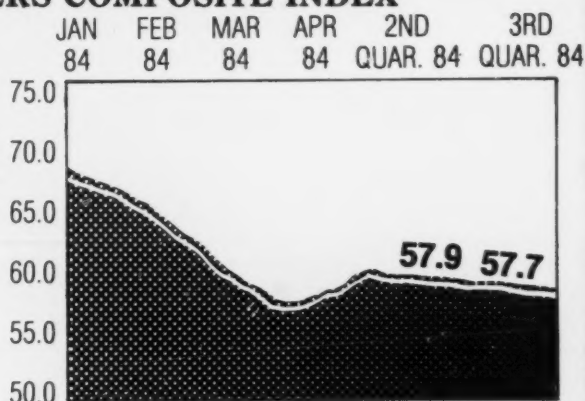
The shipper activity as reflected in DISTRIBUTION's Quarterly Index shows continued increases in all modal categories. Air shipments will show the strongest growth, rising by more than 3.7 points, consistent with the rise in inventories is the increase in the amount of warehouse space utilization, from 131.5 in the current quarter to the 135.4 level through the third period. Inventory valuation will also rise, but only by a modest amount, reflecting the continued slow growth rate of inflation in 1984. As one shipper stated, "1984 is one of the few years in my company's history that we feel confident about the future. Because of this, we are making long-term investment decisions now which we have postponed for the last five years."

Our statistical summary for the second quarter reflects continued upward growth of the economy, and that means busier times ahead for shippers—and perhaps more expensive times as well.

By Dr. Richard Lancioni, Contributing Editor

PURCHASING MANAGERS COMPOSITE INDEX

The composite index of purchasing activity reflects a decline in the early part of the year, but a mild increase in the second and third quarters. This change is in part the result of fluctuations in interest rates and the higher inventory building that was done in the first quarter by manufacturers to meet rising demand. As inventories begin to be drawn down, purchasing activity will increase in the third and fourth quarters to again build inventories in anticipation of the summer and fall buying periods.



TRANSPORTATION TONNAGE INDEXES (1977=100.0)

A key indicator of economic performance is the number of tons hauled by rail, truck and barge transportation. Rail tonnage, as reflected in the index, will reach the 96.328 level in the third quarter, and rise to 95.804 in the fourth period. Truck tonnage will also rise from nearly 149.903 in the second quarter to the 153.472 level in the latter part of the year.

	1st QTR. '84	2nd QTR. '84	3rd QTR. FORECAST
Rail	89.981	96.328	95.804
Truck	145.626	149.903	153.472
Barge	(N/A)	(N/A)	(N/A)

Source: Data Resources Inc.

TRANSPORTATION COST INDEXES (1977=100.0)

The cost of transportation will rise moderately in the third and fourth quarters. Rail costs as reflected in their overall rate structure will increase from 183.0 in the second quarter to the forecasted 186.0 level by the end of the third period. Truck costs will rise from 167.5 in the second period to 170.3 in the third. Barge costs will also increase, from the 179.6 level in the second quarter to the 181.7 level in the third.

	1st QTR. '84	2nd QTR. '84	3rd QTR. FORECAST
Rail	182.2	183.0	186.0
Truck	165.1	167.5	170.3
Barge	177.4	179.6	181.7

Source: Data Resources Inc.

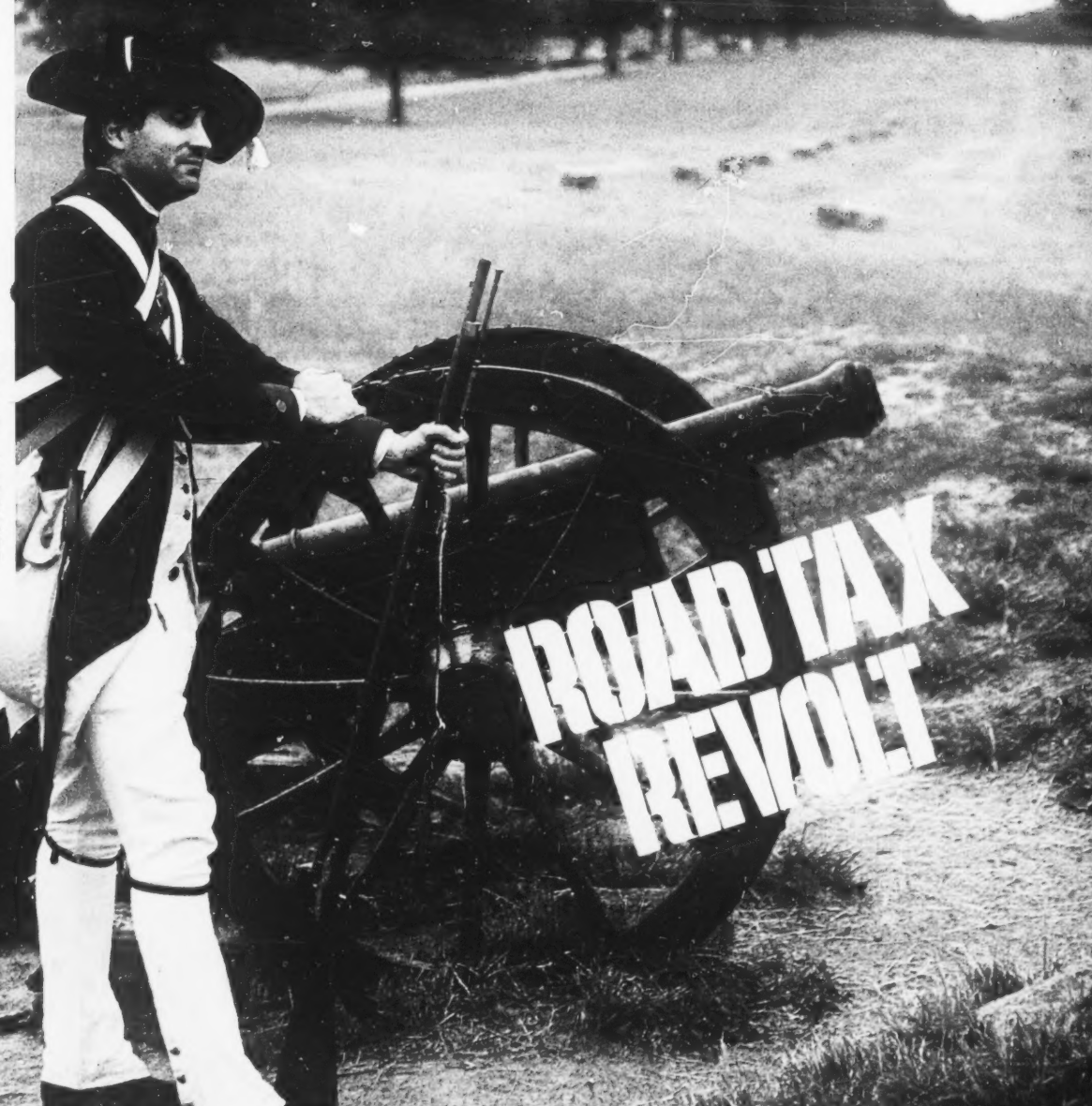
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A black and white photograph of a man in 18th-century military attire, including a tricorn hat, a dark coat with light-colored breeches, and white stockings. He is standing next to a large, wheeled cannon, holding its barrel. The background shows a grassy field with trees in the distance.

**ROAD TAX
REVOLT**

READING BETWEEN THE RAILROADS' NUMBERS
MAIL-ORDER MANIA HITS THE ROAD
DON'T GET BURNED BY THE BILL OF LADING

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It was long ago concluded that taxes were one of two things you could count on, but a horde of state and local tax measures in place of a national highway taxation policy has left private truckers with more taxes than they can count.

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It's time to plan some more personnel movements using our handy calendar format.

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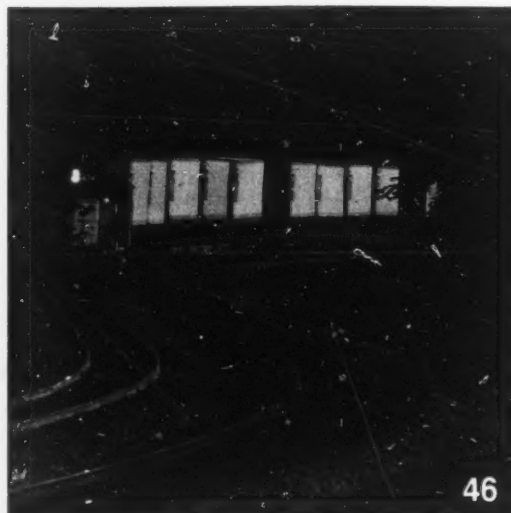
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For-hire trucking



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DIALOGUE

In April, we asked for your opinions on the benefits and future of private carriage. What you told us showed that while there is a lot of room for disagreement over how private carriage benefits the shipper, the drawbacks that come hand-in-glove with the benefits are easily identified and pretty much the same for everybody. Here's what you had to say about when private carriage becomes a bad idea:

"When competitively priced common carriers provide dependable service, and no backhaul opportunities exist."—**J.A. Chambers, traffic manager, Standard Container Co., Homerville, Ga.**

"When the necessary equipment and service is readily available at less cost from independent or common carriers."—**Charles Welcome, traffic manager, EHV-Weidmann Industries, Inc., St. Johnsbury, Vt.**

"When distance exceeds 125 miles, adequate competition exists, and freight has a low classification and a high damage factor."—**Unsigned**

"When a private fleet's overuse leads to the skimming of the most desirable traffic (i.e., round-trips, continuous moves) at the expense of for-hire trucking. This in turn increases overall for-hire costs."—**Ed Brandt, transportation manager, J.R. Simplot Co., Boise, Id.**

"When service to the customer suffers regardless of how efficient the private carrier seems to be. Service first; cost/profitability of service last! However, the fleet must break even."—**Dennis Webber, traffic manager, Interstate Brick Co., W. Jordan, Vt.**

"When too much administrative time must be spent in litigation with a union."—**James C. Nichols, traffic manager, M.K.S. Co., Inc., Elizabethton, Tenn.**

"When management is not willing to allocate sufficient resources to provide private carriage activity reporting and cost information systems. Both are essential for comparisons to for-hire operations."—**H. Dennis Cohen, manager—field traffic operations, Travenol Laboratories, Deerfield, Ill.**

"We do not use private carriage for long-haul operations, and will not as long as the truckload operators maintain their low mileage rates."—**H.M. Karel, director of distribution, Cleo Wrap Corp., Memphis.**

"Corporations enter into private carriage without experienced and qualified transportation personnel and support from top management."—**F.J. Alexander, vice president transportation, Trinity Industries, Inc., Dallas.**

"When you have limited inbound freight."—**Unsigned.**

"When the cost of moving freight becomes cheaper by contract carrier and you can also maintain service standards."—**Richard Bilotti, traffic coordinator, National Standard, Niles, Mich.**

continued

QUESTION OF THE MONTH

The economic recovery continues to explode, and public warehouseers are, like the rest of us, enjoying the the blast. The American Warehousemen's Association says its members are reporting the highest occupancy levels since before 1980. In fact, 42 percent said they were enjoying occupancy levels of 90 percent or better, and over half of its members responding to a questionnaire predicted the upward trend would continue. Obviously, shippers who choose public warehousing as part of their pipeline are back. What we would like to know is why you use the public warehouse(s) that you do.

For example, if you use a local public warehouse, how large a role did personalized service play and, conversely, are you afraid of being lost in the shuffle with a national chain? Have you found a public warehouse that specializes in your product? How hard are public warehouseers scrambling for your business? Is your primary interest in public warehousing storage? Or are you also taking advantage of the value-added services that many public warehouseers now provide?

Tell us about the pluses and minuses you've experienced on the card below, and in an industry wrap up in December, we'll spread the good news and the bad about an industry that says it's ready to break new ground in service.

DIALOGUE

● For my company, public warehousing is a realistic option: ☐ Yes ☐ No ☐ Don't know

● My company uses public warehousing to: ☐ meet fluctuating demand ☐ cover new markets ☐ avoid capital investment ☐ handle overflow ☐ other(specify)

● In addition to storage, I use the following services: ☐ pick and pack ☐ assembly/distribution ☐ labeling ☐ mark prices ☐ transportation broker ☐ other(specify)

● Has a public warehouse ever spelled out to you the value-added services it provides and how it can help you? ☐ Yes ☐ No

● I understand contract warehousing: ☐ Yes ☐ No

● Is there a difference between a local public warehouse and one that is part of a national chain? ☐ Yes ☐ No ☐ Don't know

● In general, I don't know much about public warehousing: ☐ True ☐ False

I use a public warehouse to do the following things:

OPTIONAL:

NAME (print)

TITLE

COMPANY

PHONE

ADDRESS

CITY

STATE

ZIP

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"Any of the basic criteria (economics, service or equipment) has vanished. We are evaluating our fleet and past justifications are now overcome by new options. This makes things difficult, but exciting."—**Lee L. Walters, corporate traffic manager, Onan Corp., Minneapolis.**

"When the common carriers rates are so competitive that the problems which accompany a private fleet make this mode unnecessary—and generally, a carrier that one uses regularly can put in place favorable rates, making them quasi-private anyway."—**Lee Ross Heidhues, traffic manager, CPC Int'l Best Foods, San Francisco.**

"When the empty miles wipe out your savings over commercial costs."—**Unsigned.**

"When there is no significant cost differential from common carriage. The rates available on a negotiated contract basis via for-hire carriage make the 'ego value' of many private fleets unjustified."—**James J. Paule, traffic manager, Spangler Candy Co., Bryan, Oh.**

"When you're in the business of selling high-technology products, not the trucking business."—**Gene A. McDowell, corporate traffic manager, Scientific Atlanta, Atlanta.**

"At the present time it appears less desirable an option. The differences are narrow at best and will vary among shippers. Private carriage is just another mode."—**A.S. Daviau, director of corporate transportation, Bristol Myers Co., New York.**

"When the rate structure drops below \$1.00/mile."—**Bob Wromko, manager, fleet operation, BFGoodrich Chemical Group, Cleveland.**

ONLY IF THE PRICE IS RIGHT

Deregulation has made private carriage more attractive	29%
less attractive	52%
A healthy economy will make private carriage more attractive . . .	54%
The most important benefit of private carriage is:	
quality of service	33%
customer relations	25%
cost of service	25%
The biggest difficulty in operating a private fleet is:	
large initial investment	44%
union/labor negotiations	27%
The greatest difference between private and for-hire carriage is in:	
dependability	48%
cost	29%
Private carriers planning to take advantage of trip leasing	48%



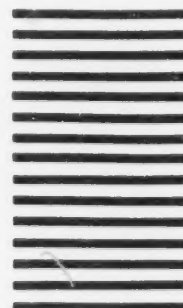
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A stylized, high-contrast black and white illustration of a locomotive's front. At the top, there are three circular headlights. Below them, a rectangular panel displays the number '3208' on both the left and right sides. In the center, a black rectangular box contains the text '1983 RAIL FINANCIAL PROFILE' in white. Below this, a larger rectangular panel features a central graphic of a signal tower flanked by two circular elements, with the text 'HAULING A HEAVY LOAD' underneath. The locomotive's body is represented by large, dark, angular shapes on either side of the central panels. At the bottom of the locomotive's front, there is a large, white, downward-pointing chevron.

3208

3208

**1983 RAIL
FINANCIAL PROFILE**

**HAULING A
HEAVY LOAD**

Along with increased traffic, the rails
are hauling around an increasing amount of shipper
suspicion and resentment that could
turn back the regulatory clock.

By Thomas A. Foster, Editor-in-Chief

The nation's railroads are finally having their day. They are hauling more freight and earning more money than at any time in their history.

Net rail operating revenues and return on investment in 1983 were 50 percent higher than those for 1982. The results for the first quarter of this year are even better. Ordinary income for the first quarter of 1984 is \$593,000, up 250 percent over the same figure for last year. Return on investment for the quarter is 4.3 percent, or nearly double the rate for the same quarter in 1983.

These upbeat trends have spelled joy for the railroads, but apparently not to shippers who don't seem to like their carriers to be too prosperous. For the last six months, numerous shippers and shipper groups have been pushing for legislation to significantly cut back the deregulatory freedoms that have allowed this new prosperity.

Perhaps because of strong shipper efforts to reimpose more economic regulation on the railroads, Wall Street has become worried about future earnings for the rail carriers, and their stock prices have fallen 30 to 50 percent from last year's highs.

But shippers shouldn't worry about the railroads, according to leading financial analysts who follow this industry. Railroads will continue to prosper, but not at the expense of shippers.

"The Staggers Act has given the railroads the tools to improve their operating margins," reasons Mary DeSapio, first vice president for Lehman Bros. in New York. "The railroads have gained the freedom to cut operating costs, abandon lines and price services competitively. Rail prosperity has not really come from increased traffic or rate increases. It has come from better management."

These sentiments are shared by another leading rail analyst, Robert Long of the investment banking firm, First Boston Corp.

"Railroads have come back from the brink of financial disaster for four reasons," says Long. "First and most important is deregulation, which has allowed much more ag-

continued

CLASS I FREIGHT RAILROADS SELECTED EARNINGS DATA. 1983

		OPERATING REVENUES (\$ millions)	NET OPERATING INCOME ¹ (\$ millions)	INCOME BEFORE EXTRAORDINARY ITEMS ² (\$ millions)	NET INCOME ³ (\$ millions)	REVENUE TON-MILES (millions)	NET INVESTMENT ⁴ (percent)
DISTRICT, CARRIER & YEAR							
Eastern District	1983	\$7,163.7	\$276.5	\$339.7	\$343.6	175,227	2.87
	1982	7,958.7	91.7	352.9	352.9	178,300	.95
Southern District	1983	5,053.6	300.3	268.4	258.4	146,251	4.16
	1982	4,987.0	233.4	357.9	357.9	142,805	3.21
Western District	1983	14,508.3	719.5	608.7	641.6	505,278	3.94
	1982	14,147.6	480.1	482.6	482.6	479,568	2.67
TOTAL ALL CARRIERS	1983	26,725.7	1,296.4	1,217.0	1,253.7	826,756	3.69
	1982	27,093.4	805.3	1,193.5	1,193.5	800,674	2.30
INDIVIDUAL RAILROAD DATA							
Eastern District							
Baltimore & Ohio	1983	918.5	1.2	0.1	0.1	22,129	.09
	1982	899.9	4.8	2.4	2.4	20,095	.35
Bessemer & Lake Erie	1983	64.1	3.8	4.2	4.2	1,279	2.32
	1982	82.0	(0.2)	3.5	3.5	1,620	-0-
Boston & Maine	1983	118.2	(1.9)	(1.0)	(1.0)	2,439	-0-
	1982	120.0	(5.5)	(2.1)	(2.1)	2,424	-0-
Chesapeake & Ohio	1983	949.2	49.4	48.9	48.9	28,012	4.11
	1982	1,041.1	63.4	118.3	118.3	28,866	5.41
Consolidated Rail Corp. ⁵	1983	3,025.3	127.6	153.7	157.6	70,285	4.10
	1982	3,440.4	(124.0)	2.4	2.4	67,999	-0-
Delaware & Hudson	1983	108.3	(5.8)	(16.3)	(16.3)	3,570	-0-
	1982	110.5	(10.9)	(20.2)	(20.2)	3,247	-0-
Detroit, Toledo & Ironton	1983	68.9	(5.1)	(8.4)	(8.4)	1,365	-0-
	1982	68.2	(14.5)	(16.4)	(16.4)	1,284	-0-
Elgin, Joliet & Eastern	1983	90.8	6.1	8.1	8.1	463	4.22
	1982	89.1	3.9	8.0	8.0	465	2.67
Grand Trunk Western	1983	227.2	(8.7)	(13.5)	(13.5)	3,633	-0-
	1982	235.7	(7.9)	(11.4)	(11.4)	3,349	-0-
Norfolk & Western	1983	1,526.7	124.0	185.7	185.7	40,488	5.33
	1982	1,737.2	185.2	273.4	273.4	46,192	8.12
Pittsburgh & Lake Erie	1983	43.2	(12.5)	(23.0)	(23.0)	1,085	-0-
	1982	47.2	(11.6)	(16.6)	(16.6)	1,127	-0-
Western Maryland ⁶	1983	22.8	(1.5)	1.2	1.2	474	-
	1982	86.8	9.2	11.5	11.5	1,626	5.74
Southern District							
Florida East Coast	1983	104.7	(8.5)	39.5	39.5	2,725	-0-
	1982	91.7	4.8	12.5	12.5	2,450	2.67
Illinois Central Gulf ⁷	1983	874.1	17.2	(7.3)	(7.3)	24,351	1.43
	1982	895.8	(29.1)	(24.8)	(24.8)	24,104	-0-
Seaboard System ⁸	1983	2,471.9	133.6	98.0	98.0	73,927	4.17
	1982	2,395.8	107.3	226.6	226.6	69,789	3.37
Southern Railway	1983	1,602.7	158.0	138.2	138.2	45,247	6.02
	1982	1,603.5	150.4	143.5	143.5	46,460	5.58
Western District							
Atchafalaya, Topeka & Santa Fe	1983	2,091.1	92.7	82.5	82.5	67,747	3.32
	1982	2,077.6	74.9	56.2	56.2	68,291	2.65
Burlington Northern	1983	4,019.0	343.7	324.5	324.5	172,344	8.22
	1982	3,767.1	183.1	174.3	174.3	157,714	4.43
Chicago & North Western	1983	861.5	30.6	8.2	9.4	23,692	5.65
	1982	807.8	(16.1)	(27.4)	(27.4)	22,866	-0-
Chicago, Milwaukee, St. Paul & Pacific	1983	362.9	(5.7)	(18.7)	5.2	10,685	-0-
	1982	363.5	(38.8)	(21.5)	(21.5)	9,411	-0-
Denver & Rio Grande Western	1983	306.4	12.3	10.0	17.6	12,111	3.02
	1982	292.4	17.8	17.5	17.5	9,841	4.70
Duluth, Missabe & Iron Range	1983	78.1	2.7	9.0	9.0	1,405	2.24
	1982	54.3	(8.7)	(4.5)	(4.5)	1,023	-0-
Kansas City Southern	1983	306.0	28.6	20.9	20.9	11,280	6.33
	1982	307.5	28.1	16.0	16.0	10,704	7.25

Chart continued on page 50

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gressive marketing and has given the railroads the chance to recapture traffic from the trucks.

"The second reason for the financial revival of the rails is headcount reduction," says Long. "Under regulation, there was no incentive for a railroad to reduce unnecessary people in management and labor jobs. It was easier to pass the costs along. Now headcount has been reduced dramatically for just about all the carriers, and the savings have gone right to the bottom line.

"Third, the capital spending that has been going on in the rail industry in the last couple years is astounding. The rail system in this country is in the best shape it has ever been. Service and reliability have improved dramatically. Finally, rail management has found major operating efficiencies by abandoning unnecessary lines, reducing redundant equipment, closing terminals, and so on," says Long.

Much of the operating efficiencies the railroads have gained can probably be attributed to the many mergers the industry is experiencing. These mergers have also been a cause of some anxiety among shippers who fear a more concentrated rail industry will result in monopoly power, higher rates and less concern for service. So far, these fears seem unfounded.

"The rail mergers so far have been good because they have been done for the right reasons," says Mary DeSapio. "The mergers have increased the efficiency and thus the earning power of the railroads. The obvious benefits are better use of equipment, people and capital. There have also been marketing benefits. The larger railroads can transcend regional boundaries and offer better and lower cost service."

Needless to say, some of the new prosperity of the rails has come from continued rate increases, and this is the trend that bothers most shippers. Overall rates this year have climbed by about four percent, and they are expected to increase another percent or two by the end of the year. For certain traffic, however, the rates have climbed much higher and much faster.

"Rates have gone up a lot in the last few years, and this is the reason I think there is so much talk about reregulation," says Bob Long. "Coal freight rates have gone from being 22 percent of the delivered cost to over 30 percent just in the last five to seven years. Coal shippers and utilities look at this climb with horror. What they don't realize is that over the decades, 30 percent has been about the industry average for coal transportation. It was just in the early and mid 1970s that the percentage dropped

Net Income

Most in the black:

BN	324.5M
N&W	185.7
CR	157.6
Southern	138.2
UP	118.7

Deepest in the red:

SP	-43.4M
P&LE	-23.1
D&H	-16.3
GTW	-13.5
WP	-10.3

Largest pct. increases from '82

Conrail	+6,391.2
Fla. E. Coast	+214.1
BN	+86.2
Santa Fe	+46.8
KCS	+30.5
B&LE	+20.7
UP	+13.1
EJ&E	+0.9
D&RG	+0.4

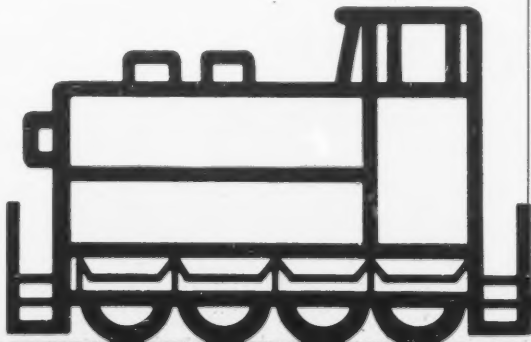
Largest pct. decreases from '82

B&O	-92.7
C&O	-58.6
Seaboard	-56.7
MP	-38.3
St. L. SW	-34.5
N&W	-32.1
Soo	-15.4
Southern	-3.7
MKT	-2.2

Income Rankings

RR	'83 RANK	'82 RANK	NET CHANGE
BN	1	3	+2
N&W	2	1	-1
CR	3	20	+17
Southern	4	4	NC
UP	5	7	+2
Seaboard	6	2	-4
Santa Fe	7	8	+1
MP	8	6	-2
C&O	9	5	-4
Fla. E. Coast	10	13	+3
St. L. SW	11	9	-2
KCS	12	11	-1
D&RG	13	10	-3
Soo	14	12	-2
C&NW	15	30	+15
Duluth	16	23	+7
EJ&E	17	16	-1
Milwaukee Road	18	28	+10
MKT	19	17	-2
B&LE	20	18	-2
W. Md.	21	14	-7
B&O	22	19	-3
B&M	23	21	-2
ICG	24	29	+5
DT&I	25	25	NC
WP	26	22	-4
GTW	27	24	-3
D&H	28	27	-1
P&LE	29	26	-3
SP	30	15	-15

NC=No Change



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about 20 percent, and that was caused by regulation, not market forces.

"Still, it's hard to tell a shipper that his rates really aren't too high. The railroads are going to have to be very sensitive to public opinion when it comes to rates," says Long.

Another area of concern for shippers has been the trend toward diversification among the railroads into nonrail businesses. The general fear is that profits earned from rail operations are not being reinvested in rail projects but are being used to fund new business ventures. According to industry analysts, these apprehensions of disinvestment in rail operations are largely unfounded.

First Boston's Bob Long says that CSX's purchase of Texas Gas is a perfect example of the kind of strategic financial strategies we can expect from the large, diversified rail companies.

"CSX rail operations make most of their money in the warmer months of the year," says Long. "So for six or seven months the railroad is a net contributor to profit, but for the other months it is a net user of funds. The income

streams for Texas Gas are just the opposite. In the winter months, Texas Gas produces a big cash flow. For CSX, it's almost like having a CD in the bank. When you combine the two operations you reduce the working capital needed for the whole corporation. You give stability to the earnings of the company, which gives greater confidence to the capital markets because earnings are steady. This is good for the shipper because it lowers the cost of capital to the railroads and thus keeps the need for rate increases down. Diversifying in this way really helps the both company and the shipper."

Diversification by railroads into other forms of transportation is completely different strategy, according to Mary DeSapio. It is a competitive marketing strategy, but it also is good for the company and the shipper.

"What we are really talking about is the transition of the railroads into total transportation companies," says the Lehman Bros. vice president. "This trend is really just beginning. We've already seen railroads acquiring barge lines, van lines and other transportation ser-

vices, and we're going to see more of this. A multimodal capability gives the railroad more ways to attract new business. It gives shippers more opportunities to have customized service."

Thus, according to industry analysts, shippers have no reason to complain about the prosperity brought to the railroads by the Staggers Act. In fact, Long predicts any retrenchment in deregulation could cause a very unpleasant reaction by rail management.

"If shippers are successful in causing a reversal in rail deregulation in the next few years, they'll probably regret it. I think it is quite possible adverse regulatory legislation could cause a number of rail holding companies to get out of the railroad business," warns Long. "Right now you wouldn't think it was possible, but I believe it is. The holding companies would spin off the rail operations to their shareholders just like RJR Industries spun off Sea-Land. The railroads would be on their own. They wouldn't have the financial backing of the parent anymore. They would live or die on their own. In an ad-

continued

Return on Net Investment Rankings

RR	'83 RANK	'82 RANK	NET CHANGE
BN	1	10	+9
KCS	2	2	NC
Southern	3	6	+3
MKT	4	3	-1
C&NW	5	NR	—
N&W	6	1	-5
MP	7	4	-3
UP	8	9	+1
EJ&E	9	14	+5
Seaboard	10	12	+2
C&O	11	7	-4
Conrail	12	NR	—
Santa Fe	13	16	+3
D&RG	14	8	-6
Soo	15	13	-2
B&LE	16	NR	—
Duluth	17	NR	—
ICG	18	NR	—
St. L. SW	19	11	+8
B&O	20	17	-3

NR=Not Ranked
NC=No Change

Return on Net Investment

Largest increases from '82

C&NW	+5.65
BN	+4.39
Conrail	+4.10
B&LE	+2.32
Duluth	+2.24
EJ&E	+1.55
ICG	+1.43
Seaboard	+0.80
Santa Fe	+0.67
Southern	+0.44
UP	+0.20

Largest decreases from '82

St. L. SW	-3.24
N&W	-2.79
Fla. E. Coast	-2.67
D&RG	-1.68
MP	-1.46
MKT	-1.33
C&O	-1.30
KCS	-0.92
B&O	-0.26
Soo	-0.07

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verse regulatory climate, they would not all survive. This is the risk today if shippers push too hard for retrenchment on Staggers."

Indeed, as good as the rail profitability picture has been, many railroads are saying that remaining regulation is stifling the economic growth of the industry.

The rail industry frequently complains about the high cost of capital and the relatively low return on investment. The most recent cost of capital figure determined by the ICC was around 14 percent. The average ROI for the industry was only 3.69 percent in 1983, and it has been much less than that for most of the past decade.

The ROI figure is a little deceiving, according to industry analyst Long. "There are two problems in calculating rail return on investment," explains Bob Long. "First, the equity base of the railroads may be overstated. And for the land-grant railroads, the return on the land resources probably should be considered a return to the railroads, but it isn't."

"The rail industry does have a fairly low return on investment because it is so capital intensive, but profitability is not as dismal as ROI figures suggest," says Long.

"A more meaningful figure is the marginal return on investment," says Long. "This is the return on new investment, and this profit measure has been improving. This figure has to be at least as good as the possible return on other investments. Otherwise, the capital won't be invested. Shippers should keep that in mind."

The first quarter results for 1984 are promising. According to the Association of American Railroads, ordinary income, which includes nonrail income with debt interest deducted, is up 250 percent over the first quarter of 1983. Net Railway operating income, which includes only rail income without any interest deduction, is up 114 percent. Even the questionable measure of rate of return on net investment is nearly double the rate for the first quarter of 1983.

The rails are clearly on a fast track to financial recovery.

Cost controls will be a continuing concern, especially in light of archaic labor work rules. Mergers will have less and less effectiveness in improving productivity. But the real financial danger to the railroads is a shipper backlash to deregulation. That could derail the rails, and maybe rail shippers as well. ★

		INCOME BEFORE EXTRAORDINARY ITEMS ² (\$ millions)		REVENUE ¹ (\$ millions)		NET INVESTMENT ⁴ (percent)	
		NET OPERATING INCOME ³ (\$ millions)		NET INCOME ³ (\$ millions)		RETURN ON INVESTMENT ⁴ (percent)	
		OPERATING REVENUES (\$ millions)					
Missouri-Kansas-Texas	1983	249.6	16.7	5.0	7.137	5.70	
	1982	231.9	17.3	5.1	7.668	7.03	
Missouri Pacific	1983	1,652.0	124.7	67.0	49,161	4.86	
	1982	1,678.7	148.2	108.6	49,766	6.32	
St. Louis Southwestern	1983	367.7	7.0	22.1	13,205	1.04	
	1982	340.9	27.8	33.8	11,319	4.28	
Soo Line	1983	293.2	12.2	12.9	8,791	2.91	
	1982	284.1	12.3	15.2	7,924	2.98	
Southern Pacific	1983	1,963.7	(66.3)	(43.4)	61,428	-0-	
	1982	1,996.0	(85.6)	8.1	59,505	-0-	
Union Pacific	1983	1,809.3	131.9	118.7	61,185	4.60	
	1982	1,773.3	127.7	105.0	59,677	4.40	
Western Pacific	1983	147.3	(12.2)	(10.3)	5,100	-0-	
	1982	171.7	(8.1)	(4.0)	3,854	-0-	

¹Net Railway Operating Income—Difference between operating revenues and the total of railway operating expenses, railway tax accruals and net equipment and joint facility rents.

²Income Before Extraordinary Items—Net income after including fixed charges, non-operating income, unusual or infrequent items, and earnings attributable to discontinued segments but before extraordinary items and cumulative effect of changes in accounting principles.

³Net Income—Net income after extraordinary items and cumulative effect of changes in accounting principles.

⁴Return on Net Investment—Ratio of net railway operating income to net investment in railway property used in transportation services at end of previous calendar year. The latter includes an allowance for working capital based upon the Commission's Rail Form A formula. If net investment data as of the end of each quarter were available, returns on investment would be computed by using an average of the net investment at the beginning and at the end of the respective twelve-month periods. However, net investment data is generally only available as of the end of the calendar year; a substantial portion of this data is derived from annual reports (Form R-1) of Class I line-haul railroads which are required to be filed with the Commission by March 31 of the following year. Thus, the net investment data used for this report which represent the latest available end-of-year data are not averaged in order to assure that net railway operating income is more closely equated, timewise, with the railroad assets generating this income. The symbol -0- for return on net investment indicates a deficit net railway operating income.

⁵Large difference between Consolidated Rail Corporation's net income and net railway operating loss for 1982 was attributed primarily to \$135.1 million of unusual or infrequent income items in 1982, consisting of: (a) \$91 million of sales tax benefits under provisions of the Economic Recovery Tax Act of 1981; and (b) a \$44.1 million reversal of allowances for uncollectable receivables resulting in the transfer of commuter operations to regional commuter authorities.

⁶1983 data shown above for the Western Maryland Railway Company reflect operations for the four months ending April 30, 1983. Effective May 1, 1983, the Western Maryland's properties were operated by an affiliate, Baltimore and Ohio Railroad Company. Consequently, the results of operations over the lines of the Western Maryland, subsequent to May 1, 1983, are included in the data reported by and shown above for Baltimore and Ohio.

⁷Illinois Central Gulf Railroad Company reported a \$45.3 million net railway operating income and a \$41.8 million net income for the fourth quarter of 1982 because of a \$58.5 million year-end write-off of its deferred income tax liability. This resulted in a large negative income tax expense. Consequently, net railway operating loss of \$29.2 million and net loss of \$24.9 million for the twelve months ending December 31, 1982 were substantially reduced because of this \$58.5 million adjustment. Management disclosed that an extensive study resulted in a finding of no deferred income tax liability.

⁸Effective January 1, 1983, the Seaboard Coast Line Railroad, the Louisville and Nashville Railroad, the Clinchfield Railroad and the Georgia Railroad merged to become the Seaboard System Railroad, Inc. Data shown for periods prior to January 1, 1983 were repeated, for comparative purposes, to include these four railroads.

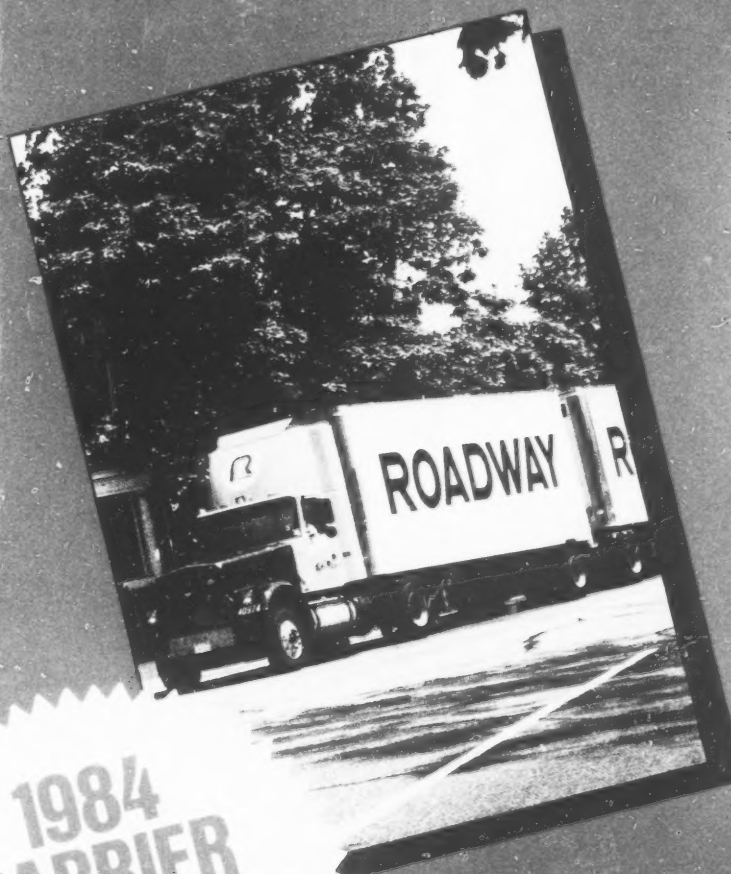
⁹Large difference between Seaboard System Railroad's net railway operating income (loss) and net income for the twelve months ending December 31, 1982 was attributable primarily to \$153.7 million of dividend income from Atlantic Land and Improvement Company, a wholly owned subsidiary. This resulted from the latter company's sale of a wholly owned subsidiary.

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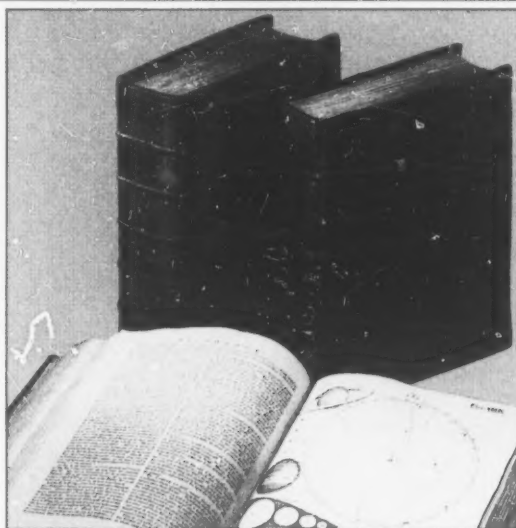
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Devising an international distribution strategy



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DIALOGUE

In our May issue, we asked you what was being done by your department, and by others in your company, in the area of inbound materials management, and what you felt were the principle challenges that you faced with respect to inbound freight.

From your responses, it's clear these challenges are equally abundant in two entirely different directions. First, from suppliers who too often do not give due attention to delivery instructions; and second, from both upper management and other departments within your own company, who either don't see the need for the emphasis on inbound freight, or fight with the traffic department for the right to control it.

Here are some of your remarks about the problems you've encountered in mastering the inbound side of freight management:

"Because the majority of the inbound is 'prepaid and add,' it is very hard to get a handle on the costs. We are trying to gain more control by surveying the vendors on their transportation vendors."—**Paul Robbins, traffic specialist, Celotex Corp., Tampa, Fla.**

"We are directing inbound freight charges to a collect basis and including the transportation specifications on the purchase order as well as other techniques."—**Richard Ward, manager—services, Burroughs Transportation Co., Secaucus, N.J.**

"Successful inbound routing programs involve intensive rate research, but the hardest part is getting hostile mills and vendors to adhere to the routing instructions."—**Mitch Bookbinder, traffic coordinator, National Steel Service Center, Inc., Parsippany, N.J.**

"The outbound reports up through distribution; the inbound reports up through purchasing. Each operates individually and the two rarely interface. Also, most purchasing agents believe they are transportation experts, too."—**Unsigned.**

"The biggest challenge is managing the just-in-time concept along with freight economics. Some parts or components are best supplied on a daily basis with higher freight costs. Others lend themselves to consolidation. The challenge is to find the best solution for each item."—**Thomas R. Hart, Burroughs Corp., Wayne, Mich.**

"Our purchase order shows mode and carrier, but vendors route contrary to instructions, assuming the cost is better. We debit, but harm has already been done on planned just-in-time."—**Jack J. Hanus, corporate transportation manager, Miller Electric, Appleton, Wis.**

"Getting vendors to utilize the routing directions printed on the purchase orders. Vendors tend to 'do their own thing' and keep the discounts they receive."—**Richard Johann, manager of corporate transportation, Sunstrand Corp., Rockford, Ill.**

continued

QUESTION OF THE MONTH

Most goods move in some kind of a package, so it's not surprising that packaging is in the middle of a number of hot debates between shippers and carriers.

In our Maritime column (p. 88), we discuss how Dow Chemical and the NIT League want the FMC to decide exactly what constitutes a "package" in loss-and-damage claims in foreign trade. Both want the FMC to clear up exactly what the Carriage of Goods at Sea Act (COGSA) means when it sets a limit of \$500 per package. Does "package" mean a container, packages within a container, or something else?

In our Claims column (p. 74), we report that the National Freight Claim Council of the ATA wants to replace the National Motor Freight Classification packaging standards with a directive that has a "Catch 22" quality about it for shippers: It's your package, so it's your damage.

And finally, as our D&W column (p. 82) notes, the frozen food industry and the U.S. Department of Agriculture are eyeballing ways to standardize packaging and the load heights that result. One result is that frozen food manufacturers are talking with both warehousemen and carriers about changing trailers and racks to better handle these loads.

Where do you as a distribution manager fit in as all these packaging questions swirl about? On the card below, please give us your current perspectives about packaging.

DIALOGUE

● Regarding packaging's relationship to claims, storage and transportation, are you called in on packaging decisions:
☐ always ☐ sometimes ☐ never

● Who in your company makes packaging decisions?
☐ packaging engineer ☐ marketing ☐ input from many areas

● Carriers say that shippers should develop packaging to withstand the normal hazards of transportation, and free carriers from proving faulty packaging. Do you: ☐ agree ☐ disagree ☐ don't know

● Would you like to see Federal standards that would cover packaging and claims for all modes? ☐ yes ☐ no ☐ don't know

● Has your company looked at standardizing case sizes?
☐ yes ☐ no ☐ don't know

I'd like to see these packaging developments, for these reasons:

OPTIONAL:

NAME (print) _____ TITLE _____
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"Each P/A has his or her favorite carrier and will not consider recommendations based solely on cost. Upper management does not enforce traffic's recommendations, because purchasing knows where they get the service."—**Unsigned.**

"Knowledge of vendor's psychology of transportation—if they usually ship the cheapest way, use discount plans, or use irregular route carriers. Also, vendor's relationships with carriers that you may choose for your pickup."—**George S. Kastner, transportation supervisor, Stone Container Corp., Melvindale, Mich.**

"Getting our purchasing people to communicate with transportation regarding vendor changes, timing of these changes, and volume. We often hear about freight opportunities after the traffic has begun to move."—**Unsigned.**

"Getting top management to recognize inbound's importance and give responsibility to the transportation specialists in the traffic department."—**Sharon Guglielmo, traffic manager, Standard Fork & Axle Co., Inc., Montgomery, Ala.**

"Attempting to maintain an effective posture with purchasing management, and ensuring the distribution department's ability to control inbound shipments utilizing cost effective carriers and maintaining acceptable service standards."—**W.P. Bryan, division traffic manager, Baker Packers, Inc., Houston.**

"Getting the accountants and purchasing folks to identify and collect these costs in a way that can be monitored."—**Unsigned.**

GETTING A HANDLE ON INBOUND

Transportation specialist within purchasing in charge of inbound	10%
inbound specialist within t/d department in charge	46%
hybrid purchasing/transportation manager in charge	19%
Vendor handles carrier selection	25%
purchasing handles selection	25%
transportation handles selection	62%
Inbound freight arriving "freight collect"	60%
freight arriving "prepaid and add"	28%
Have seen raw materials cost reductions when controlling inbound	76%
Have passed on savings to customers	52%
Company has instituted just-in-time program	34%
has not instituted just-in-time program	38%
Company consolidates inbound traffic	44%
Inbound freight costs are very important when sourcing	49%
costs are somewhat important	32%



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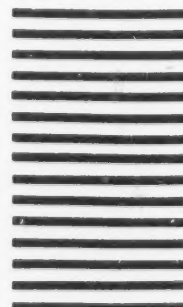
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DISTRIBUTION'S FORECAST

Third-quarter numbers indicate the year is winding down in more places than just the calendar.

By Dr. Richard Lancioni, Contributing Editor



GENERAL ECONOMIC INDICATORS

	3rd QTR. '84	4th QTR. FORECAST
Real GNP (trillions)	\$3.680.7	\$3.752
Retail Car Sales (Mil. units, annual rate)	10.6	10.5
Housing Starts (Units, annual rate)	1,777,300	1,672,300
Prime Rate (%)	13.0	13.3
Producer Price Index (quarterly change)	(-2.9%)	(-2.7%)

DISTRIBUTION's third-quarter statistical summary reflects the gradual slowdown in the economy. While growth was strong in the second and third quarters, the fourth period will reflect a slowing in the economy. Real GNP will increase by 2 percent in the fourth quarter, and slow to 1.4 percent in the first part of 1985. Retail car sales will slow only slightly and end the year at the 10.5-million level. One of the dampening factors has been the gradual rise in interest rates, which will increase to 13.3 percent by year's end, and rise in the early part of 1985. The benefit of the slowdown will be the moderating impact on prices, with inflation expected to reach only 5.3 percent by the end of 1984.

DIESEL FUEL PRICES

	JUNE '84	AUG. '84	4th QTR. FORECAST
Full-Serve	126.7	125.4	123.4
Self-Serve	114.9	113.5	112.6

Source: Household Goods Carrier Bureau

Diesel fuel prices for the fourth quarter of 1984 should begin to moderate. The reason for the decline is partly the increased production of some of the OPEC countries, notably Nigeria, which needs more revenue to finance its massive foreign debt. Both Nigeria and Iran have doubled crude oil output. Some experts have predicted that the price of full-serve could fall below \$1.20 a gallon by the end of 1984, and reach \$1.17/gallon by the end of the first quarter of 1985.

DISTRIBUTION INDEX Quarterly Shipper Forecast

	CURRENT QUARTER	4th QTR. FORECAST	NET CHANGE
Truck Shipments	139.5	140.6	+1.1
Rail Shipments	125.9	124.2	(-1.7)
Air Shipments	128.4	129.5	+1.1
Water Shipments	116.6	115.9	(-0.7)
Warehouse Space Utilization	135.9	133.3	(-2.6)
Inventory Valuation	115.4	112.4	(-3.0)

Shipper activity for the fourth quarter of 1984 will be characterized by fewer shipments, lower inventories and reduced transportation usage. Truck shipments will rise only slightly from 139.5 to 140.6, whereas rail shipments will decline from 125.9 to 124.2 in the fourth quarter. Air shipments will increase, but again only slightly. The increase continues to reflect growth in the small package overnight express business.

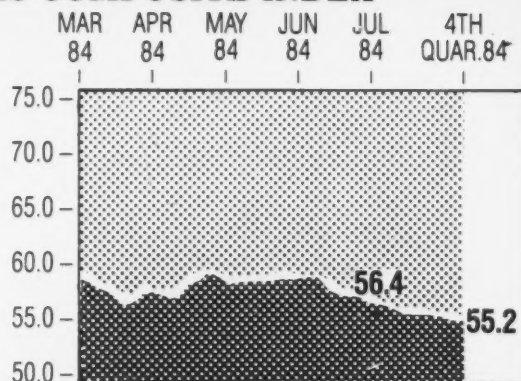
Water shipments will decline by 0.7 points in the fourth quarter, reflecting the small decline in bulk material shipments. Shipper interest in inventory moderation is reflected in the drop in warehouse space utilization expected in the fourth quarter.

continued



PURCHASING MANAGERS COMPOSITE INDEX

The composite index of purchasing reflects the continued decline in economic growth, with the gradual decrease in the expenditures made by firms for new plant and equipment. Inventories will continue to be pared down in the fourth quarter and in the first part of 1985.



TRANSPORTATION TONNAGE INDICES

(1977=100.0)

Rail tonnage is expected to decline from a yearly high of 98.053 in June to 90.862 through the fourth quarter. This decrease reflects the decline in shipments to be made in the fourth quarter. Reduced consumer spending along with a drop in factory orders is the reason for the change. Truck tonnage will rise, but only by a small amount in the fourth quarter.

	2nd QTR. '84	3rd QTR. '84	4th QTR. FORECAST
Rail	98.053	96.254	90.862
Truck	153.606	157.187	159.271
Barge	218.291	N/A	N/A

Source: Data Resources Inc.

TRANSPORTATION COST INDICES

(1977=100.0)

The cost of transportation will increase only moderately in the fourth quarter. This modest increase is partly because of the decline in fuel prices in the third quarter. Rail costs will increase from 184.3 in September to 185.1 in December.

	2nd QTR. '84	3rd QTR. '84	4th QTR. FORECAST
Rail	181.1	184.3	185.1
Truck	167.3	169.6	171.7
Barge	180.6	183.1	185.1

Source: Data Resources Inc.

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FOR TRAFFIC & TRANSPORTATION DECISION MAKING

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COVER STORY

10 PLANNING AN INTERNATIONAL STRATEGY

Here are case histories detailing the master plans of companies that have already made international inroads. They reveal rules every firm must live by if it is to avoid being devoured in what is now truly a dog-eat-dog world.
(Map used in cover photo compliments of the National Geographic Society)

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Though not often acknowledged as a nation, the business world is not ignoring this stable center of international trade.

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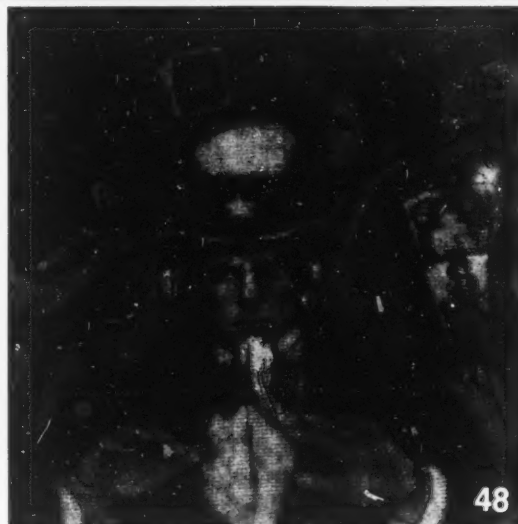
Another puzzle with a distribution theme to keep you busy when nothing else is moving.

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U.S. exporters are facing a growing list of agencies worried about high-tech diversions to the Soviet Union.

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Are international distribution managers being saddled with greater burdens, or offered increased opportunities to shine?



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Taking inventory of distribution equipment



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DIALOGUE

Exporting can have great promise for American firms, but it also has a real set of hurdles—be they a labyrinth of U.S. and foreign rules and regulations, the strong dollar crushing foreign markets, or company management that is unwilling to commit to a long-term program. In short, exporting isn't easy. And when well-meaning but uninformed people blithely say that this company or that one should tap into new overseas markets and export more, they often don't know the whole story.

In June, we asked readers to tell us what people who say everyone should export more don't understand about the exporting game. Here's a sampling of the unfriendly forces our readers say they must contend with:

"Exporting is not an end in itself. Profits are the goal. With certain of our products (X-ray cassettes), the problem is they are manufactured everywhere in the developed world. Not only that, they are heavy, and exporting them just takes up more time."—Richard Cooper, export manager, Spectronics Corporation, Westbury, N.Y.

"It took us five years to get established and knowledgeable in this field. It takes a lot of time, money and long-term commitment to get an export program going, but sales management, as well as top management, either objected to or reneged on one of these key elements at a given point in time. In-house knowledge of international banking and transportation was not always there, and the fear of the unknown was overwhelming. Exports, as a result, were shunned. Marketing managers tend to look for immediate, short-term results and, because exports give anything but that, they take a back seat."—Name withheld by request.

"There are too many managers in the pot. Program people and engineers are trying to run operations, and they do not understand the ground rules. Planning and coordination is the second problem."—Robert Lawton, traffic supervisor, LSI Avionic Systems, Florham Park, N.J.

"[People don't understand] low profit margins because of the competition; the high financial and political risks, or the slow return on investment."—Helga Jalkio, general traffic manager, Drake America Corp., New York.

"Governmental food and drug regulations vary widely from country to country with respect to allowable flavorings and food colorings. This makes large scale exporting very, very difficult."—James J. Paule, traffic manager, Spangler Candy Co., Bryan, Oh.

"[They don't understand] logistics, timing and carrier(s). The transportation and interchange of exported and imported freight requires 'real world' planning. We can't dedicate all imports and exports to airfreight delivery."—R.L. Sohn, industrial traffic manager, The Flexible Corp., Delaware, Oh.

continued

QUESTION OF THE MONTH

Illegal textile imports and U.S. high-tech goods finding their way behind the Iron Curtain have the U.S. Customs Service giving these kinds of shipments very close scrutiny. And shippers, forwarders and carriers are crying foul over some of the new controls.

For example, the National Customs Brokers & Forwarders Association of America, Inc. wrote to President Reagan complaining about changes in Customs regs covering in-bond transportation entries. Initially, the new rules meant that imported textiles would be examined at the port-of-entry. The howl of protest, however, has prompted Customs to soften its stand. Now, shipments moving from the port by rail, under bond, with tamper-proof seals, will not usually be inspected at the point of arrival, but instead at destination, where it will examine visas and other shipping papers.

On the outbound side, the battle between free trade and national security keeps shippers guessing. The Pentagon is now playing a larger role in determining which products can threaten our security. And Customs, as the policeman, is keeping a closer eye on that growing list of goods.

U.S. shippers, however, complain that many items on the list are easily obtained overseas, and that delays caused by tighter controls are hurting their ability to compete. On the card below, tell us what you think about tighter Customs controls.

DIALOGUE

●Instead of new import regs, we need tighter Customs enforcement:

___ Agree ___ Disagree ___ Don't know

●The U.S. should be more selective about the items it places under tight export control:

___ Agree ___ Disagree ___ Don't know

●The Department of Commerce should play the lead role in overseeing exporting and controlling commodities:

___ Agree ___ Disagree ___ Don't know

●Our allies send the Soviets high-tech goods—why not us?

___ Agree ___ Disagree ___ Don't know

●The new regs covering textiles' in-bond transport do more harm than good:

___ Agree ___ Disagree ___ Don't know

●National security and free trade can be balanced:

___ Agree ___ Disagree ___ Don't know

●I am having more problems with Customs regs now:

___ True ___ False ___ No change

My recent experience with Customs has included these problems:

OPTIONAL:

NAME (print)	TITLE
COMPANY	PHONE
ADDRESS	
CITY	STATE ZIP

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Director of Corporate Transportation,
Robertshaw Controls Co.

"The strength of the U.S. dollar turns off foreign buyers."—**John P. Teschel, traffic manager, Norton Co., Akron, Oh.**

"Even carrier sales representatives know little about Canadian export procedures. They can't help us, and we need help. Sales reps from steamship companies are a real wasteland of non-information."—**Bruce Bobb, shipping manager, Texture Tex Industries.**

"The dollar is too strong for countries to buy from us. Why not another DISC program to encourage exporting? Also, sales leads from the government should be free and not by subscription."—**Guy Russo, executive vice president, Nippon Overseas Corp., New York.**

"The mechanics of setting up and maintaining international distribution and the administration of export traffic should be handled by one central department. We have too many involved."—**Glenn Cain, material and distribution manager, Auto-Trol Technology, Thornton, Colo.**

"To meet service levels needed to be competitive overseas, our transportation and inventory costs would well exceed any possible profits."—**James Smythe, distribution director, ABCON Prods., Los Angeles**

"It's simple. Our foreign competitors are better than we are in terms of quality, customer service, sales and marketing, and cost control. If you can't beat 'em, don't play the game."—**No name given, New York.**

"To really be competitive, you can't depend on exporting. You have to have plants and distribution facilities in the foreign markets. Few U.S. companies want to make this commitment."—**E.L. Myers, distribution manager, Englestadt Ltd., Chicago.**

INTERNATIONAL TRADE?????

Our biggest internal problem is a lack of expertise and training	31%
a lack of planning and coordination	25%
We don't have the time to devote to international	19%
We lack support and commitment	12%
We lack market research	12%
The biggest external barrier to our international efforts is foreign government controls and regulation	56%
logistical snags when trying to distribute overseas	19%
a lack of overseas markets	13%
U.S. controls	6%
My reaction to export trading companies as a marketing and distribution tool is that we don't know what they can do	38%
that they can't do anything that we can't do	31%
that we would lose control over customer service, etc.	13%



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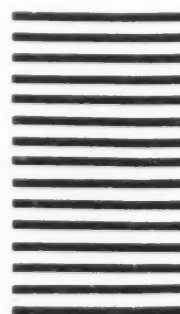
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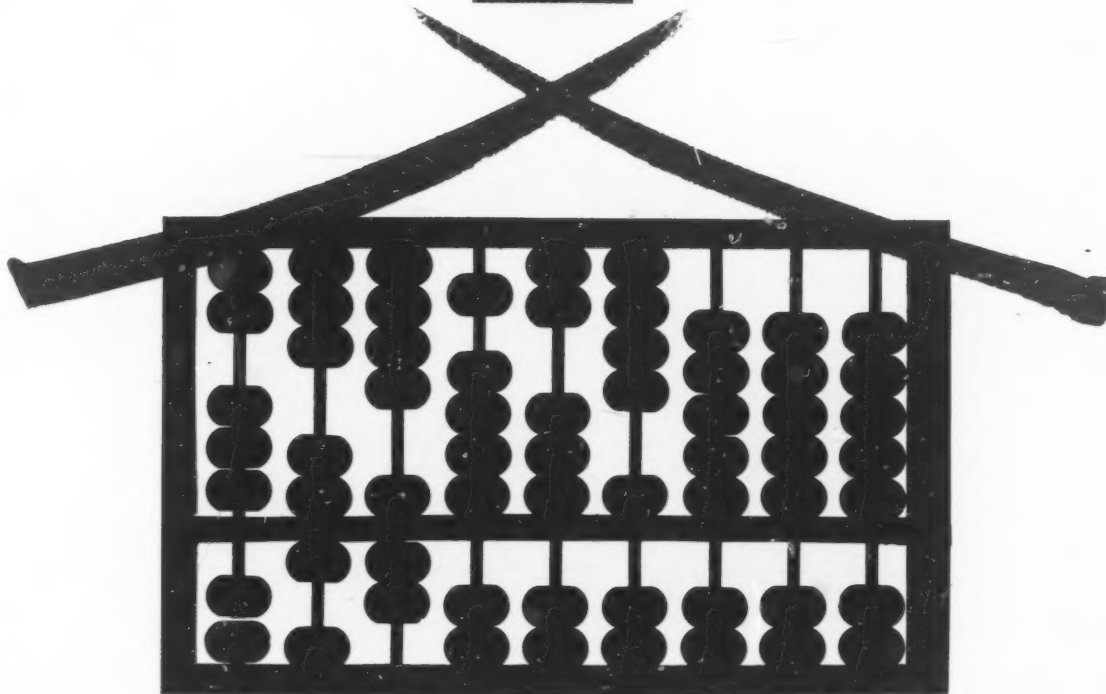
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RENOVATIONS

FOR JAPAN'S TRADING HOUSES



American efforts to blueprint the success of the "soga shosha" should take into account structural changes now being made to the originals.

By Roger Schreffler, Contributing Editor

They are called *soga shosha*. Their closest English equivalent is what we know as general trading houses or companies. But in point of fact, there are no organizations in the West that begin to compare with Japan's *shosha*.

For over a century, the primary

purpose of the *soga shosha* has been to facilitate trade and industrial activity, both domestically and internationally. In the process, they have grown to become cornerstones of resource-poor Japan's phenomenal economic development. In the most recent Japanese fiscal year,

which ended this past March, the nine largest trading houses, led by giant Mitsubishi Corp. and Mitsui & Co., had combined sales of more than \$350 billion.

The future of the *shosha*, how-

continued

TRADING HOUSES

ever, is not without problems. The combined effects of worldwide recession and structural change within the Japanese domestic economy have eaten into their profit margins during the past couple of years.

Still, unlike many other types of business entities, the *sogo shosha* have a proven history of resilience. Their growing prominence in third-country or offshore trades, which today accounts for approximately 15 percent of their total sales, is a good example of this ability to bounce back from hard times. As a consequence, these companies can be expected to continue as a major force in Japan's economic future.

Recent efforts by firms such as Sears and General Electric to establish a trading company presence in the United States, coupled with the U.S. government's active support of the "ETC" (export trading company) concept, have focused long-overdue attention on Japan's general trading houses. What exactly they are, and how they operate, have become increasingly pertinent questions, as U.S.-based trading companies attempt to establish an identity of their own while expanding into new market areas.

An Active Force

"First and foremost," asserts Mark Brown of Tokyo-based International Business Information, Inc. (IBI), "trading companies are intermediaries, not only facilitating trade in a variety of products to all parts of the world, but also actively looking for and developing new sources of demand."

Brown, an industrial and high-technology analyst for IBI, adds that the basic function of the trading company is to promote trade and economic development "by taking a position between those who supply a good, and those who demand it."

As such, the *shosha* perform many of the functions of the purchasing and sales departments of typical Western firms. In addition, they offer language skills and area expertise in local trading practices and overseas business conditions.

The *soga shosha*, which employ an estimated 80,000 people worldwide, bring together such diverse fields as engineering, construction, communications, transportation and distribution, wholesaling, national resource development, marketing, and finance. And unlike the situation in Europe or the United States, many companies in Japan, in particular the smaller and medi-

um-sized enterprises, rely upon the *shosha* to secure credit from commercial financial institutions. They undertake this service for both domestic or international business transactions. And in so doing, they become an effective buffer between smaller-sized enterprises and Japan's financial community.

Despite the extremely valuable and diverse services they provide, though, a decade of sluggish economic growth in Japan has resulted in a steady decline in the trading houses' profitability. In addition,

half of its domestic market requirements. It thus actually owns a fleet of vessels for its domestic market operations. Other makers rely much more on trucking.

Catch-22

Ironically, the better the job the trading houses do in terms of developing and promoting new business opportunities for major Japanese manufacturers—be they in Japan or abroad—the sooner the trading houses are likely to lose that business to the very companies and in-

"Physical distribution is perhaps the most important function of a trading house, for if we are late in that field, we may lose trade volume as well."

the growth of total trading transactions has been slowed, as the nation's requirements for basic materials to fuel such labor-intensive industries as steel and shipbuilding—long mainstays of trading company business activities—have declined.

Striking at the Heart

Compounding the trading houses' concerns, major manufacturers—which at one time depended almost exclusively on the expertise and foreign contacts of the trading houses to penetrate export markets and find new sources for materials—have acquired the know-how to do the job by themselves. And this includes all matters dealing with physical distribution—freight forwarding, warehousing and ocean transportation.

As one Japanese official notes, "Physical distribution is perhaps the most important function of a trading house, for if we are late in that field, we may lose trade volume as well." Nevertheless, large and aggressive manufacturers such as Honda and Nissan, to name two, are already heavily involved in overseas markets, and are now arranging the bulk of their international physical distribution requirements by themselves.

And in the domestic sector, the level of involvement of *shosha* in transportation and distribution questions varies, depending on specific circumstances. Because of the location of its plants within Japan, Honda, for instance, relies on a subsidiary company engaged in coastal shipping to transport more than

dustries they have helped promote.

Notes Hiroshi Miura, deputy general manager of the newly formed Traffic Administration Department at Mitsubishi Corp.: "To the extent that the manufacturers have developed their own efficient distribution networks, we (the trading houses) won't be able to handle their products for them. Thus, this segment of our activity will become more limited in the future."

"Unfortunately, once the manufacturers obtain the knowledge, they generally begin to import (or export) by themselves," Miura admits. "And because of that, our role has been squeezed considerably."

"Being squeezed" is the proper description for what's happening. On the one hand, there has been a growing tendency on the part of manufacturers, small and large, to deal directly with the ocean carrier industry as well as with major shoreside operators, including both warehousemen and truckers.

At the same time, Japan's domestic forwarding industry has started to penetrate the international trade sector. This has primarily been accomplished through overseas affiliates in the warehousing and air consolidation fields.

Presently, an estimated 35 Japanese firms have set up independent warehousing and trucking operations in the U.S., with by far the largest concentration being located on the West Coast. There, an estimated one-third of all port terminal operations are controlled by Japanese firms.

continued

TRADING HOUSES

In addition, there has been a growing tendency on the part of Japan's domestic freight forwarders to make use of NVO operations in the ocean transportation sector. This is also causing concern for the trading houses, which have always played a principal role in the entire physical distribution process.

An Edge for Nippon Express

Nippon Express, for example, is presently handling a growing portion of the distribution requirements for such well-known Japanese manufacturers as Canon, Victor, Bridgestone Tire, Nissan and Honda. The diversified transportation concern, possessing extensive operations in trucking and warehousing as well as in ocean and airfreight forwarding, last year reported sales of nearly \$3.5 billion.

The Tokyo-based firm, which one executive likened to a "department store of transportation," has begun to promote itself as a total transportation alternative. And because of glaring inequities in the treatment of foreign firms seeking to engage in the forwarding business in Japan—foreign carriers and freight forwarders in effect are prevented from participating directly in shoreside distribution operations such as stevedoring, warehousing and trucking—a company like Nippon Express literally has the capability to engage in the "door-to-door" movement of freight in either direction between Japan and most major overseas markets. Nippon Express, for example, had 27 warehouse locations totaling 650,000 square feet in key U.S. marketplaces as of June of this year.

And unlike competitors such as Mitsubishi Warehousing or Mitsui Soko, which are tied to larger corporate groupings (the Mitsubishi Group includes—in addition to warehousing and domestic forwarding interests—banking, trading and a diversified ocean transportation operation in NYK Line), Nippon Express can promote its services as "neutral."

"Thus," explains Takashi Goto of the company's overseas division, "we have the flexibility to go after anybody's business." And Nippon Express is doing just that. In 1983, it handled an estimated 20,000 TEUs of containerized cargo, of which roughly 15 percent was consolidation or NVO business.

Goto notes that although his firm does not want to compete directly with the trading houses, it is being forced to do just that in light of re-

cent attempts by the *shosha* to enter the small package, door-to-door market (see "In Japan, Small Shipments Hit Close to 'Home,' p. 98).

The Shosha Strike Back

Notes Toshio Suga, general manager of the overseas transport department at Marubeni Corp.: "Originally, the transportation department of a trading house was something of a go-between for the manufacturer and the shipping company." However, with Japanese freight forwarders now dealing directly with manufacturers, and in effect bypassing the trading houses, the situation has changed.

"We have to do something," Suga asserted earlier this year. "We cannot sit back anymore. We'll have to move as an NVO ourselves." Marubeni has subsequently done just that.

On March 1, the company established Overseas Transport Services, to operate as an integrated transportation and warehousing subsidiary. The firm, which is capitalized at 20 million yen (about \$91,000) and staffed with five people from Marubeni's overseas transport division, was set up for the purpose of serving Marubeni's worldwide project business. It intends to provide regular shipping services, including door-to-door container transport.

Shortly following Marubeni's announcement, Toyo Menka, which traditionally has been very active in the chemical business, was reported to be seriously contemplating a similar course of action. According to sources in Tokyo, Toyo Menka can be expected to start its own NVO operation in the near future.

"These developments are all part of a general move by general trading companies into the transport-warehouse business, to provide cost-competitive transportation as part of bid packages for plant exports," notes IBI's Mark Brown. "That market has become increasingly competitive."

Looking Homeward

The Japanese domestic market may be another area where the *sogo shosha* can turn their attention. Of the more than \$350 billion in business reported by Japan's nine largest *shosha* in fiscal 1983, 60 percent was in the foreign trade sector. That sector includes both import and export transactions as well as the firm's growing "offshore" or cross-trade business activities.

Domestic sales, however, are still

quite significant, accounting for more than a 40 percent share overall. And in spite of the fact that the domestic sector has experienced a sharp decline as a percentage of overall business of the corporation since 1970, in terms of actual sales volume it has grown nearly 500 percent during that period.

At Mitsubishi Corp., Japan's largest trading house on a nonconsolidated basis, domestic sales have accounted for between 35 percent and 40 percent of total business in recent years. The company, which reported sales of more than \$65 billion last year, is particularly strong in the domestic foodstuffs market, where it manages the nation's largest hog and chicken breeding farm.

The Mitsubishi Foods Group, which consists of some 45 food producers worldwide, accounts for slightly less than 15 percent of total corporate sales. To maintain the group's position within the overall corporate structure, the company has made efforts during the past couple of years to upgrade and expand its distribution and sales networks both overseas and in Japan.

Fish From a Catalogue

Through Diamond Seafoods Co., for instance, a Tokyo-based subsidiary engaged in the marine foods field, Mitsubishi is attempting to set up a new type of distribution network for Japan. The system, a form of nonstore retailing, is attempting to combine sales with the transportation and logistics operations of the group.

At the present time, the new system, which involves catalogue ordering, is being tested among the 10,000 or so families of employees within Mitsubishi's Japan operations. And depending on the success of this initial trial, Mitsubishi would like to broaden the service beyond the marine foods sector to other segments of its 25,000 product groups.

To date, the system has relied on the Japanese mail system for the placement of orders. However, with the launching of Japan's first cable TV satellite earlier this year, executives have begun to explore ways to introduce a more sophisticated method of communications.

One of the problems they still must overcome, though, concerns payment. Japanese consumers are only now beginning to make use of credit cards, and then generally only in major metropolitan areas such as Tokyo and Osaka. And un-

continued

TRADING HOUSES

like the United States, Japan has never been a "checkbook" society.

To make the system viable and effectively competitive with the largest of the nation's retailers and supermarkets, Mitsubishi will have to consolidate its present domestic distribution system even further. Excluding the ocean transport sector, the company presently makes use of an estimated 700 distribution firms throughout Japan. These include primarily truckers and warehouses. Top management has called for a reduction of this number to perhaps 100, to gain economies of scale and assist with the promotion of the new system.

Mitsubishi expresses confidence about this new direction it is taking. "Our strong point is that we deal with many different commodities and are able to acquire a wide variety of information because of our overseas contacts," notes Hiroshi Miura of Mitsubishi. "Consequently, we are in a unique position to help develop new commodities that appeal to our customers both here in Japan and overseas."

Fears Being Realized

However, beyond the question of "new" market opportunities, there are many who feel that this renewed interest by the "sogo shosha" with the whole domestic distribution question is due to their fear over further inroads by other entities. Department stores and supermarkets, traditional customers of the "shosha," have begun to branch out into many new product lines. At the same time, they have begun to contact overseas and domestic producers directly, especially where large and predictable volumes of cargo are involved. And this strikes at the heart of the success of trading houses in years past.

Efforts by large retailers—including department stores and supermarkets—to expand their holdings have given them increased market power. Of Japan's estimated 1.6 million retailers, for instance, less than 1 percent are large stores having over 500 square meters of sales space. Still, this 1 percent of stores accounts for about 30 percent of all retail sales and nearly one-third of total shopping space.

Adding to this, the market share of these large enterprises has grown appreciably, more than doubling since the mid-1960's. And during this same period, the sales volume of these firms has grown almost tenfold—nearly twice as fast as retail sales as a whole. ★

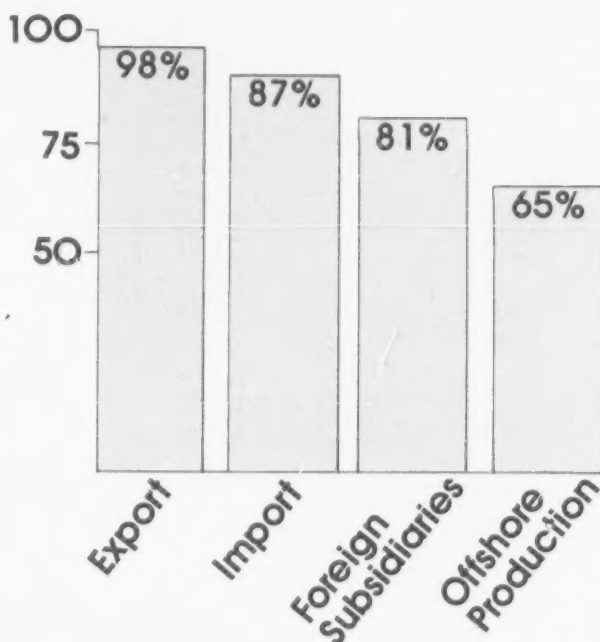
TRADING COMPANY PERFORMANCE

		Sales (millions)	Current profit (millions)	Net income (millions)
Mitsubishi				
March	1981	¥14,686,564	¥46,167	¥21,131
September	1982 (6)	7,373,615	18,395	10,476
March	1983	14,885,454	42,902	18,230
September	1983 (6)	7,189,659	19,862	9,538
March	1984 (E)	14,800,000	43,000	18,000
March	1985 (E)	15,400,000	45,000	20,000
Mitsui				
March	1982	13,225,000	35,257	15,125
September	1982 (6)	7,096,229	33,640	6,988
March	1983	14,147,368	62,193	10,344
September	1983 (6)	6,797,891	13,707	5,063
March	1984 (E)	13,900,000	29,000	10,000
March	1985 (E)	14,600,000	40,000	13,500
C. Itoh				
March	1982	12,335,652	13,675	5,014
September	1982 (6)	6,092,701	13,813	1,517
March	1983	12,490,220	33,806	3,075
September	1983 (6)	6,318,004	12,434	1,530
March	1984 (E)	12,800,000	25,000	3,000
March	1985 (E)	13,400,000	25,000	4,500
Marubeni				
March	1982	11,547,466	23,836	5,276
September	1982 (6)	5,938,908	10,064	3,067
March	1983	11,631,385	23,214	346
September	1983 (6)	5,696,452	9,699	2,656
March	1984 (E)	12,000,000	21,000	6,000
March	1985 (E)	12,500,000	25,000	9,500
Sumitomo				
March	1982	10,964,358	44,183	15,573
September	1982 (6)	5,673,472	22,357	8,351
March	1983	11,353,908	44,558	17,188
September	1983 (6)	5,681,714	20,550	8,510
March	1984 (E)	11,400,000	41,000	17,000
March	1985 (E)	12,000,000	45,000	19,000
Nissho-Iwai				
March	1982	7,432,169	11,518	5,621
September	1982 (6)	3,970,480	5,020	2,517
March	1983	8,016,878	13,108	7,954
September	1983 (6)	3,615,284	6,265	2,748
March	1984 (E)	7,750,000	13,300	7,000
March	1985 (E)	8,800,000	14,000	8,000
Tomen				
March	1982	3,715,126	3,905	1,853
September	1982 (6)	1,991,590	1,347	874
March	1983	3,916,050	4,049	1,915
September	1983 (6)	1,945,183	1,947	975
March	1984 (E)	4,100,000	4,500	2,300
March	1985 (E)	4,500,000	5,000	2,500
Kanematsu				
March	1982	¥3,268,006	¥265	¥116
September	1982 (6)	1,655,903	76	101
March	1983	3,450,799	976	118
September	1983 (6)	1,725,601	117	104
March	1984 (E)	3,600,000	1,000	150
March	1985 (E)	3,900,000	1,500	300
Nichimen				
March	1982	2,937,837	6,168	1,628
September	1982 (6)	1,625,132	1,952	710
March	1983	3,258,833	5,666	1,381
September	1983 (6)	1,641,892	1,846	718
March	1984 (E)	3,400,000	5,500	1,400
March	1985 (E)	3,700,000	5,700	1,500

Source: Company reports and IBI forecasts.

MORE TRENDS IN INTERNATIONAL DISTRIBUTION

Are international distribution managers being saddled with greater global burdens, or offered increased opportunities to shine? Our second survey shows it depends on how they look at the worldwide bottle.



Nearly all major firms are engaged in some form of international exporting, with 98 percent reporting activity in this area. Involvement in importing is also high, and has been encouraged by the rise in the value of the dollar. Growth in the use of foreign subsidiaries has also expanded, with 81 percent of the firms reporting this type of involvement. That's up from 77 percent a year ago. Offshore production has also expanded, from a 55 percent level in 1983 to 65 percent this year. Again, this is because of higher profits from overseas operations, and the lower costs of offshore assembly.

Since World War II, international trade has drawn countries closer together, and formed the basis for much of their economic life. Unfortunately, not every country has been pulling its weight equally.

Among the community of trading nations, which includes over 135 countries, only 15 can claim a balance in their exports and imports. And only five can point to a surplus.

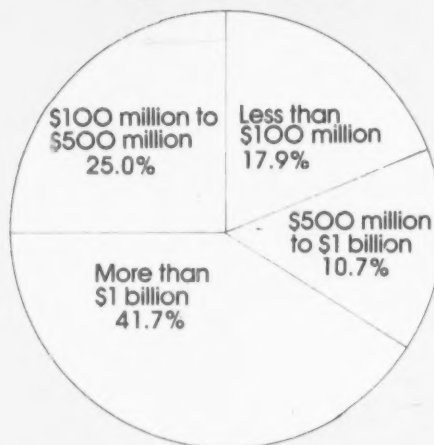
The preponderance of nations continually run up deficits and then look to the World Bank, United Nations, or foreign banks to help them finance their shortfalls. Some nations, such as Brazil, Mexico and Argentina, are cash-poor, and must use their natural resources of oil, coffee or sugar cane as currency in barter deals with trading partners.

Adding to these countries' financial dilemmas are the high interest rates that currently prevail in the

continued

This article was prepared by Dr. Richard Lancioni, professor of marketing and logistics at Temple University in Philadelphia, and Martin Christopher of the Cranfield School of Management. Dr. Lancioni is currently DISTRIBUTION Magazine's professor-in-residence. Research for this article was done through the resources of Logistics International, a consulting firm specializing in international distribution. Dr. Lancioni is U.S. director of the firm.

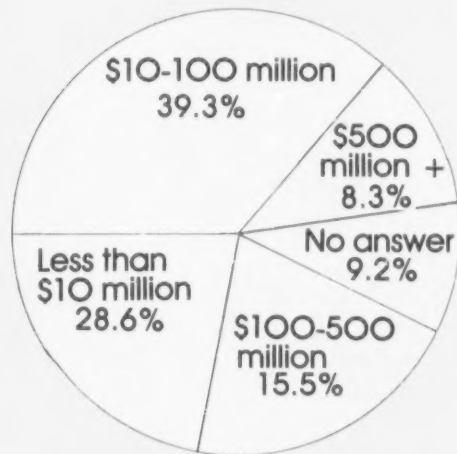
What Are Your Annual Corporate Sales?



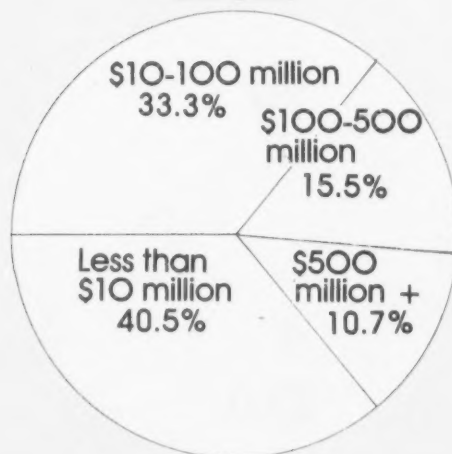
Responses to this question again reflect the fact that international trade and distribution is for the most part carried out by large firms. But the number of small companies getting involved is also expanding. In the 1983 survey, only 9 percent of the firms with less than \$100 million in sales were involved with international trade and distribution. This year, the figure swelled to 17 percent. The U.S. is becoming a major factor in world trade, and small firms have been encouraged by federal legislation which created tax exemptions for firms setting up Foreign Sales Corporations. Despite the growth of smaller firms in terms of total volume, over 50 percent of the foreign exporting is still done by fewer than 1,000 companies, with 85 percent of this accounted for by the larger firms.

What Is The Value Of Your Company's Exports and Imports?

EXPORTS



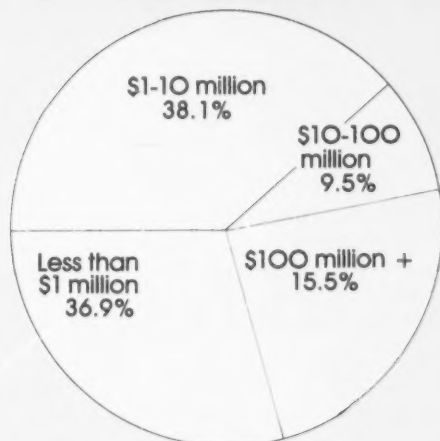
IMPORTS



The export and import activity of the survey respondents varied widely. Small exporters with foreign sales under \$10 million comprised 28.6 percent of the respondents. Very large exporters with annual foreign sales of over

\$500 million comprised only 8.3 percent. The majority of the respondents were in the middle, with the largest group (39.3 percent) reporting exports between \$10 million and \$100 million. Importers fell into similar groups.

What Is Your Annual Freight Bill For Exports?



The average freight bill for firms responding to our survey was \$5.5 million—approximately 15 percent of total export sales. This is higher than the 1983 study, which pegged the average freight bill at \$4 million. The change is somewhat modest, but it does reflect the upward trend in international trade by U.S. firms. Also, the freight bill should be used only as an international guideline. It does not reveal the true cost of international distribution because: 1) the value of the products shipped, and thus their rate levels, ranged from high-value products such as semi-conductors and electronics to low-value items such as fertilizers and chemicals; 2) the freight charges for foreign subsidiaries are not included; and 3) the terms of sale for a large portion of the exports was f.o.b. at some domestic point, and the cost of moving the goods was not considered an expense by these companies.

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United States. These have pushed the value of the dollar to an all-time high against other currencies, and forced foreign investors to put their money in U.S. firms, instead of investing in developments based in their own countries.

The dollar's growing strength hasn't been all good for U.S. companies, though, either. Since September 1983, the pound sterling has dropped 28 percent against the dollar, the French franc 40 percent, the German mark 22 percent, and the Japanese yen 31 percent. This has made foreign goods less expensive in the U.S. while at the same time raising the prices of U.S. products being sold abroad. The result has been an unusually large increase in the U.S. trade deficit, which will reach more than \$110 billion by the end of the year.

The swelling deficit's impact on the international distribution patterns of U.S. companies has been dramatic. Exports of U.S. goods to foreign customers have slowed, while at the same time the development of U.S. foreign subsidiaries has accelerated. And over the years, these subsidiaries have often proven to be more profitable than U.S. domestic-based operations. Indeed, Ford Motor Co. has found over the years that its British subsidiary has been a significant contributor to the firm's profits.

The stronger dollar has exerted a tempering effect on inflation levels

over the last year and a half. Less expensive foreign products are only part of the reason for the inflationary ebbing we have seen during that period. Oil prices have also remained constant or even declined in some cases, because of the Iran-Iraq war and a general glut of crude oil reserves in the world market.

But the influx of cheaper products and raw materials has created havoc in some U.S. industries, such as the steel industry. Numerous mills around the country have been closed and domestic production has been reduced in the face of cheaper foreign competition. Many U.S. steel firms are seeking import quotas to limit foreign steel imports, and protectionist legislation in the form of domestic content legislation. In addition, the lower-priced foreign material and labor has resulted in the auto industry going offshore to arrange for the assembly of some of its components such as engines, transmissions, etc.

Second Sailing

All of these trends detailed above have exerted either negative or positive impacts on international distribution patterns. To help chart the current course of worldwide distribution, *DISTRIBUTION* recently conducted its second annual "Trends in International Distribution" survey.

In its survey, *DISTRIBUTION* surveyed more than 126 of the lead-

ing firms involved in international business. The list used to conduct the survey was taken from the membership roster of the National Council of Physical Distribution (NCPDM).

Our survey asked respondents to address these questions:

- How is the international distribution function organized in your firm?

- At what managerial level is international distribution handled?

- What is the value of your annual export and import sales?

- Who handles import and export procedures?

- What terms of sale are used for import and export transactions?

- How many people does your firm employ in international distribution functions?

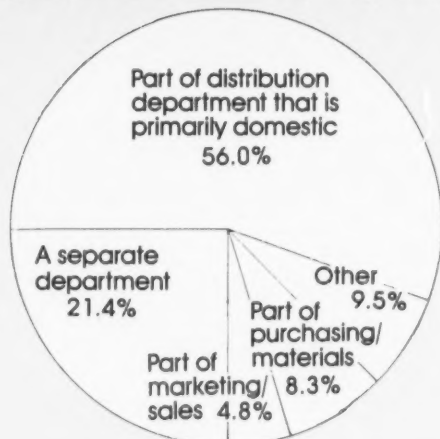
- What are the specific duties and responsibilities for distribution departments involved with various types of international activities?

- Are international distribution patterns for your company changing, and if so, what forces are causing the change?

Our survey participants made it clear through their responses that the role of international distribution is becoming a more important one all the time. The charts that ap-

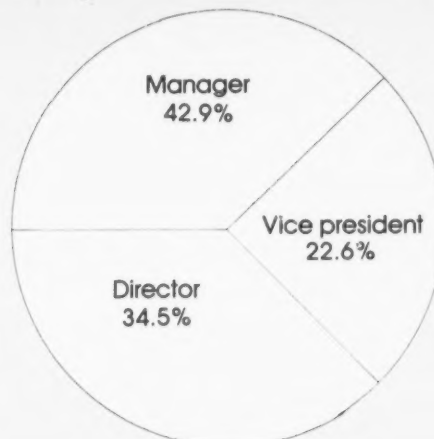
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How Is The International Distribution Function Organized At Your Company?



More than half the international distribution departments surveyed are part of their firms' domestic operations. Only 21 percent have separate international distribution activities. Again, while there has been growth in international trade and distribution in the last year, the amount of organizational involvement and commitment has been minimal. Many distribution executives still think foreign customers can be treated in the same manner as domestic ones. In some of the firms surveyed, while the company had significant international distribution operations, it had no formal group handling the activity, and reported to either a marketing or manufacturing manager.

What Is The Management Level Of Highest Ranking Person Involved With International Distribution?



Here we find more support for our earlier findings that little attention is being paid to international distribution decisions at the highest corporate levels. More than 40 percent of the decisions are made by managers, and 22 percent by vice presidents or above. This indicates that international distribution decisions are considered by most companies to be more suitable to the operational level than to a strategic plateau. As one vice president commented about his involvement in international distribution decision-making, "I leave most of these decisions to my subordinates."

TRENDS

pear throughout this report provide data for their responses to specific questions. Using that data, we can then draw the following general conclusions about the current roles of international distribution:

- **Distribution departments have little involvement with international business matters, yet are frequently asked to handle international distribution problems without the provision of any additional staff.**

- **There is generally a need for integration of distribution into the planning for all aspects of international business. Frequently, problems in international distribution are solved using a "band-aid" approach, and little long-range planning is utilized.**

- **International distribution will continue to become more important in the future, and the firm that begins to devote more time and effort to this**

area will be the eventual leader among its competitors.

Once the survey responses were tabulated, we then conducted personal interviews with selected respondents, to gain more in-depth insight into their companies' international distribution makeup.

Managers contacted personally were first asked to describe the major forces currently influencing their companies' international business plans and strategies. The factors they cited included:

- **the continued high value of the dollar, and its dampening effect on foreign sales of U.S. products;**

- **the changing tax laws that dictate how American business can do business overseas;**

- **the Shipping Act of 1984, and the freedom it gives shippers in dealing with ocean carriers for better rates;**

- **the poor financial structure of many of the third-world**

countries, and their inability to pay in U.S. dollars;

- **the continued pressure from foreign countries to invest in their countries and do business there.**

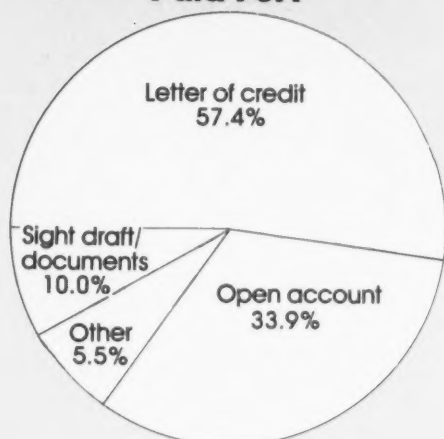
Our second question in the personal interviews asked, "What have been, or will be, the strategic reactions of your company to the developments in international distribution?" The general conclusions given here included:

- **More joint ventures are needed to eliminate the risk in international business and break down the barriers imposed by foreign nations.**

- **Improved use of computers will help integrate all of the information needed to keep track of developments and orders in international distribution. Many firms see a need for this not only at the shipper's location, but also in third-party lo-**

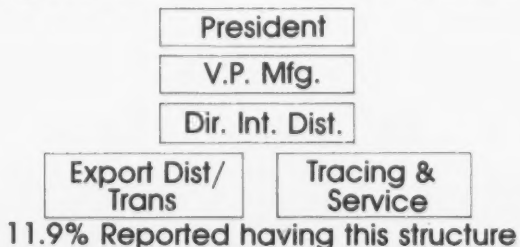
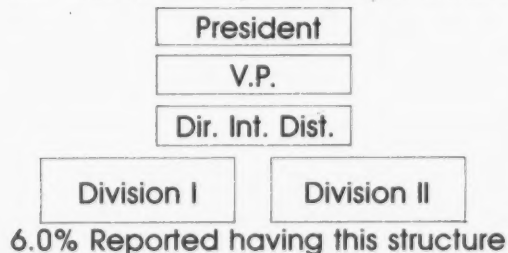
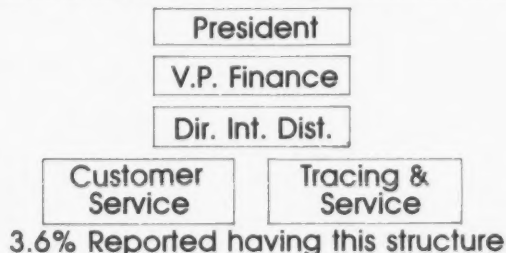
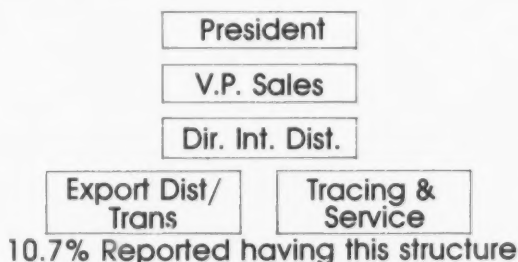
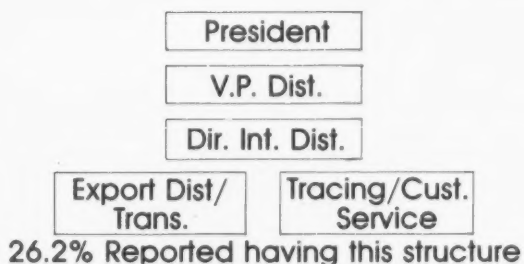
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How Are Most Exports Paid For?



Methods of payment varied among the surveyed firms, with 57 percent using a letter of credit, 33 percent using open accounts, and 10 percent using sight draft documents. The figure for letters of credit represents an increase of 4 percentage points from the 1983 survey; for open accounts, this year's figure is up 3 percentage points from last year's.

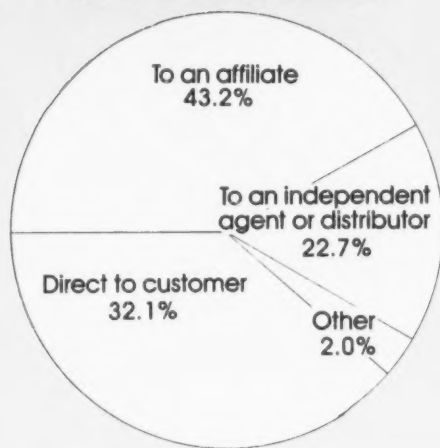
Organization Of International Distribution



Approximately one-third of the responding companies had a director of international distribution. The five organization charts presented here show how this director fits into the corporate structure. The most popular structure has the international distribution director reporting to a

vice-president of distribution. The least popular has the director reporting to a financial VP. Other structures were almost evenly divided, and had the director of international distribution reporting to a manufacturing, sales/marketing, or administrative VP.

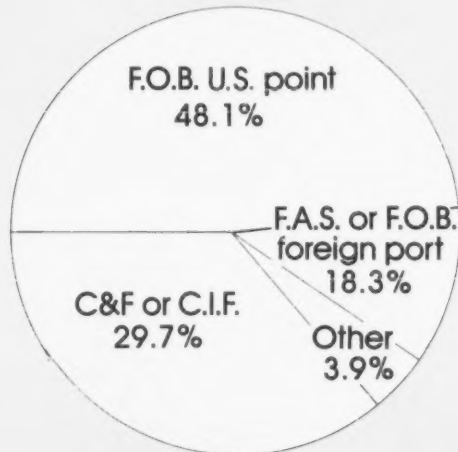
To Whom Do You Most Often Export?



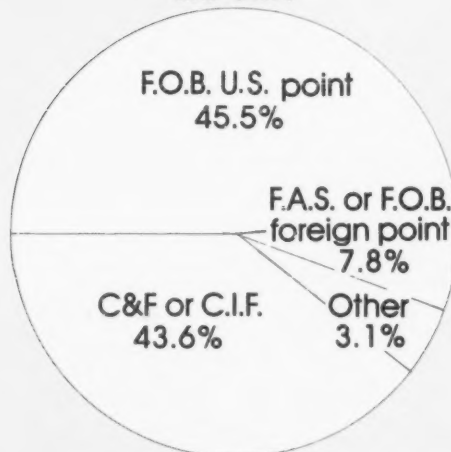
The general trend in international distribution is one of companies shipping more and more products to an affiliate, rather than directly to the customer. The general consensus among international executives is that it is less risky to ship to an affiliate or third party, because these entities know the specifics of host-country distribution. This third-party trend has increased from 38 percent in 1982 to 40 percent in 1983 and 43 percent in 1984. What it indicates is that while international sales may increase, the responsibilities of international distribution managers do not change. The thinking, in a nutshell, is one of "pass the buck" to a foreign affiliate. This also corroborates the earlier finding that fewer people are being employed in international distribution.

What Terms Of Sale Do You Use Most Often?

IMPORTS



EXPORTS



The terms of sale offered by a U.S. firm to foreign customers determines the extent of the company's distribution involvement. The terms of sale offered by U.S. firms on exports showed that 45 percent were f.o.b. U.S. point, and

43 percent were on a c&f or c.i.f. basis. Only seven percent were f.a.s. or f.o.b. foreign point. For imports, 48 percent were f.o.b. U.S. point, 34 percent were c&f or c.i.f., and 18 percent were f.a.s. or f.o.b. foreign point.

TRENDS

cations and at final customer sites. Continued development in this area, it is felt, will also begin to eliminate many of the documentation errors that have plagued the industry for so long.

- A greater use of third parties will be called for, especially in Socialist regions where it is typically hard to do business, such as Eastern Europe, South American and Africa.

- Exporters will have to have a greater dependence on government agencies in Washington to facilitate trade through bilateral negotiations, tax incentives, federally supported trade financing, etc.

- There will be a greater use of global sourcing as a competitive weapon, both in the domestic and international markets.

The third and perhaps most important question, asked of distribution executives in the personal interview, was "What changes will occur over the next five years that would significantly affect distribution department personnel's involvement in the international activity?" To this question, the executives' major conclusions were:

- More people will become involved in the international distribution activity as the level of their companies' involvement in the importing and exporting areas increases.

- More foreign subsidiaries will begin to handle the distribution activities associated with marketing efforts in particular countries.

- More planning will be done in the international area as it becomes more complex.

- There will be more centralization of inventories, and thus personnel, in regional distribution centers serving whole continents.

On the strategic level, the executives concluded there will be:

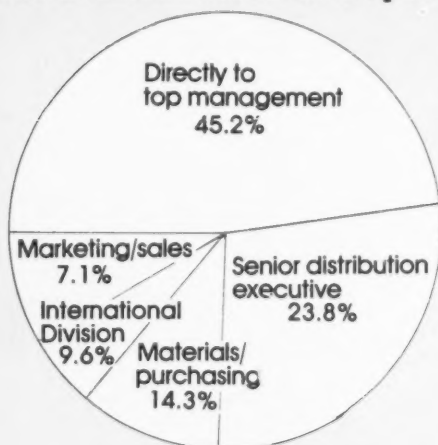
- more concentration of exports to selected regions, instead of "shotgun" efforts to market products worldwide;

- greater rotation of domestic distribution personnel into foreign operations, to broaden their knowledge of the field;

- an attempt to improve worldwide customer service, in order to improve the image of American exports abroad.

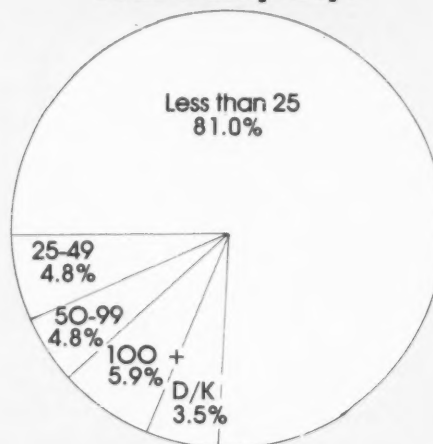
As one executive concluded, "In the past, international distribution has been a problem. Now, we have to look at it as a challenge fraught with opportunities." ★

To Whom Does The International Distribution Function Report?



Reporting structures vary quite extensively in international distribution. While 45 percent of our survey respondents report directly to top management, this relationship is more on a staff basis at a corporate level. This is down somewhat from the 1983 survey, where 53 percent of the firms said international distribution reported to top management. To whom does the director of international distribution typically report? In twenty-six percent of the firms surveyed, that function reports to a vice president of distribution; in 11.9 percent, to a vice president of manufacturing; in 10 percent, to a vice president of sales; in 6 percent, to a general administrative vice president, and in 3 percent, to a vice president of finance.

How Many Employees (professional) Are Directly Involved In The International Distribution Function At Your Company?



The number of employees involved in international distribution is still relatively small when compared with the volumes of goods being moved in international distribution. As shown, less than 25 people are involved in international distribution in more than 80 percent of the firms surveyed. This is up from the 70 percent reported in the 1983 study. The trend is toward leaner departments, with fewer people carrying more and more responsibility. As one international distribution manager stated, "We used to have a manager for export and distribution at our five main plant locations. This has now been consolidated into one location, and I am handling all of it. If that isn't a decrease in staff, I don't know what is."